

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1962

No. 23

PAN AMERICAN WORLD AIRWAYS, INC.,
APPELLANT,

vs.

UNITED STATES.

No. 47

UNITED STATES, APPELLANT,

vs.

PAN AMERICAN WORLD AIRWAYS, INC., ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

NO. 23 FILED JULY 25, 1961

NO. 47 FILED DECEMBER 1, 1961

JURISDICTION POSTPONED JANUARY 15, 1962

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1961

No. 257

PAN AMERICAN WORLD AIRWAYS, INC.,
APPELLANT,

vs.

UNITED STATES.

No. 583

UNITED STATES, APPELLANT,

vs.

PAN AMERICAN WORLD AIRWAYS, INC., ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

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GOVERNMENT'S EXHIBIT 1

December 1st, 1927

Mr. Richard F. Hoyt,
25 Broad Street,
New York City.

My dear Mr. Hoyt:—

On behalf of Atlantic, Gulf & Caribbean Airways, Inc., I wish to confirm my understanding of the informal agreement between yourself, representing Keystone Aircraft Corporation, holding notes and/or other similar obligations of Huff Daland Dusters, Inc., and the writer, representing Atlantic, Gulf & Caribbean Airways, Inc., as follows:

1. No effort will be made, at this time, to combine, or affiliate, by formal contract, or otherwise, Huff Daland Dusters, Inc., and the Holding Company, Atlantic, Gulf & Caribbean Airways, Inc.

2. Huff, Daland Dusters, Inc., will attempt to negotiate and acquire, with privilege to transfer advantageous concessions for commercial air operations, including actual contracts for the transportation of mail by air from the Governments of Chile, Peru and Ecuador and, possibly, Colombia.

3. Atlantic, Gulf & Caribbean Airways, Inc., shall assist Huff Daland Dusters, Inc., in securing such concessions, through such contracts as they now have or may acquire, with the United States Government.

4. Atlantic Gulf & Caribbean Airways, Inc., shall assist Huff Daland Dusters, Inc., in framing said contracts and concessions, with the end in view of having said contracts return at least sufficient revenue to cover scheduled operating costs, and over a period of years, the maximum net revenue to the Company.

5. When any or all concessions as outlined above shall have been secured, then the stockholders and/or Directors

of Atlantic, Gulf & Caribbean Airways, Inc., and Huff Daland Dusters, Inc., shall merge the two interests, through an equitable exchange of stock, the consideration in each case being the actual market value of the aircraft and other fixed equipment of each Company, at the time the merger or consolidation shall have been effected.

If this arrangement is in accordance with your understanding, will you please initial and return this letter, retaining the enclosed carbon for your files.

Yours very truly,

J. T. TRIPPE.

JTT/s

[fol. 2]

GOVERNMENT'S EXHIBIT 2

F.O

Private #5538

No. 10

LIMA,
April 10th, 1928

NEW YORK HOUSE

AVIATION.

In reference to your letter #5906 there has been efforts on the part of German interests and American interests to secure a concession from the Peruvian Government for the establishment of an Air Service on the Peruvian Coast and from Peru to Panama.

As we were anxious to find out what was going on we have been in touch with Mr. Woolman, Vice President of the Huff Daland Dusters, who has represented the American interests, acting in behalf of his Company. You may be aware that this Company for the past few years has had contracts with cotton interests here to spray the crops.

For a while Mr. Woolman was worried that the Germans would secure the concession but has recently told us that the President personally advised that it had been definitely decided to grant the concession to the Huff Daland Dusters.

The working arrangements and details of the service have not been divulged and we are inclined to think nothing concrete has been decided on up to the present, the main object being to secure the concession.

G006733

In order to keep Mr. Woolman interested in giving us information we advised him that no doubt the service could

GR-4

10-26

D.L.A.

[fol. 3] be worked to advantage in combination with Grace Line steamers, our idea being that a passenger by a Grace Line steamer, in order to have more time in Lima, might take a plane from Talara to Lima and board the steamer again on her arrival at Callao. Also, we pointed out to him that with our organization on the Coast it might suit him to appoint us Agents and have us work on a commission basis.

As previously advised this was more to keep Woolman talking as we had nothing definite to work on and could make no headway on any sound arrangement.

In regard to commercial justification for our entering into the establishment of such a service we consider it a risky business. In the first place mail from Peru is carried by steamers free of charge in return for Government concessions on lighthouse dues. Whether the Government would pay a large amount for quicker service when they now pay nothing is doubtful. With reference to the passenger end, the Peruvian Coast for flying, on account of heavy fogs and the Andes coming pretty close to the sea is not too safe. If a Company gave good service with no accidents for a reasonable period there might be a fair traffic. On the other hand, a few bad accidents would kill the project. There might be occasions which would cause passengers to necessitate a quick trip to New York but we do not think that the Grace Line at least for the immediate future would suffer from Aeroplane competition.

G006734

For your information, Mr. Woolman advised us that GR-5 [fol. 4] his Company is part of a strong group in the United States and that some of their connections had already progressed in the establishment of a service from New York to Panama, which is no doubt the Company you mention in your letter and points to the fact that the service is intended to be extended to Valparaiso. One of the Companies he mentioned was the Keystone Aircraft Corporation.

We advised him that it might be well for his people to talk the matter over with yourselves and we trust this information will give you something to work on. Meanwhile we will keep you posted of any new developments at this end."

Yours very truly,

J. P. W. R. GRACE & Co.,

GGB/h.

G006735

GR-6

[fol. 7]

GOVERNMENT'S EXHIBIT 4

No. 21

May 23, 1928

Major H. A. Dargue, U.S.A.,
Office, Chief of Air Corps,
War Department,
Washington, D.C.

Dear Major Dargue:—

Referring to our conversation in Washington, last week, we would be very glad if you could prepare for us as comprehensive a report as you can on air transport route from Colon to Valparaiso.

As I told you, I think the best way to write the report is to put yourself in the position of one who is going to

seek to establish such a service and then muster all possible data, conclusions, recommendations, etc.

I would like to get it at as early a date as is practicable and will greatly appreciate your doing this and will be glad to compensate you for the time you put into it.

I may be in Washington next week, in which event I will call you up, but meanwhile would thank you to advise me if you will proceed with it.

With kindest regards, I am,

Very truly yours,

G006726

W. R. GRACE & Co.

PATCHIN
Manager

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RHP:C

[fol. 8]

GOVERNMENT'S EXHIBIT 5

Peruvian Airways

New York, May 23, 1928.

MEMORANDUM FOR MR. IGLEHART

MEMO OF CONVERSATION WITH R. H. HOYT
OF HAYDEN, STONE & CO.

Mr. Hoyt who is Chairman of the Wright Aeronautical Engine Co. and who also has a substantial interest in the Keystone Aircraft Company said that the Pan-American Airway Co. was organized with the idea of developing a service through-out Latin America and that his idea was to obtain the participation and co-operation of the principal steamship concerns in each region, i.e., United Fruit in

Central America, Agwi in Cuba, Porto Rico, Colombia, etc., and Grace on the West Coast of South America. He said he felt that one large company could do the job better than a number of separate and smaller concerns.

He said he had intended to approach Grace & Co. as soon as plans had been further matured. It is his understanding that the Post Office Department will soon advertise for bids for mail services from Cuba to Colon via Central America and later will advertise for bids on a mail contract from Colon to Valparaiso. An appropriation of \$1,750,000. for carriage of the mails to foreign countries is provided in the urgent efficiency bill which is expected to pass Congress this week.

I told Mr. Hoyt that we regarded aviation as simply a new development in transportation and as we had always been interested in transportation to the West Coast of South America we were following the matter closely and had had some studies made of the problem of providing air transport for mail and had discussed the matter with the Post Office Department. He said that he recognized that we were in an advantageous position which was the reason why he hoped he would co-operate with the Pan-American GR-10

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G006723

[fol. 9] Aerways, but that if we were disposed to go ahead on our own, he would be inclined to stand aside and not compete as he felt we would be in better position than anyone else to undertake it. He was especially interested to know that we were active with regard to coffee and further to Panama Mail in Central America. He had not realized this before.

He confirmed the information which we already have from Lima that the Huff Daland Dusters outfit was seeking to buy a Peruvian concession of air transport between Peru and Panama, but had added that he did not know whether they were going to be successful.

We have separate information that the Post Office Department has asked South American Governments not to give any exclusive franchises for any air transport.

Mr. Hoyt said that as soon as the Post Office Department advertises the Havana and Colon route for bids, the Pan-AMERICAN Airways will require about \$2,000,000 capital and he proposes to invite various interests in the Caribbean, such as Agwai, United Fruit, etc., to participate.

On the "technical" side his idea is that passenger business should be developed along with the mail, that multi-motored planes be used and that flying be confined to daylight hours.

By reason of his having been closely identified with the Wright Aeronautical Engine Co. ever since it started and with the Keystone Aircraft Co., Mr. Hoyt appears to be in a pretty strong position in the foundation situation. He is also a participant in the company which has employed Lindbergh in the trans-continental air transport company and he stated he has an option on Lindbergh's services as an advisor in the development of South American air routes.

PATCHIN
R. H. P.

GR-11

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[fol. 10]

GOVERNMENT'S EXHIBIT 6

No. 71

Ministry of Government & Police

Lima, May 29, 1928

The Huff Daland Dusters, Inc.

On May 28 the following Supreme Resolution was issued.

In view of the petition presented by the Huff Daland Dusters Inc. which Company was incorporated in the State of Louisiana, United States of America, to establish an air service between Peru and the United States under the conditions it outlined; and in view of the reports issued and considering the proposal convenient, it is hereby resolved to grant permission for the establishment of said air service under the following conditions:

1. This service to include the air transportation of mail, cargo and passengers.
2. The service shall commence at the earliest possible date which shall not be later than one year from the date of this resolution.
3. The Company will have full freedom in the selection of its employees and pilots who will be subject to all of the obligations imposed by law for the residence of the Republic, and that the Company shall agree to use the largest possible number of employees of Peruvian nationality, bearing in mind the class of service which it is required to render in accordance with this Resolution.
4. The Company waives all rights to diplomatic intervention and all differences which may arise under this agreement shall be dealt with by the courts of the Republic.
5. Authorization is granted for the landing of the Company's aircraft at any airport of the State.

[fol. 11]

6. The Company agrees to cover by insurance all risks in connection with the aircraft, mail, passengers and cargo.
7. The postal service shall be established by the Company in mutual agreement with the Post Office Department of Peru.
8. It is understood tariffs and other necessary conditions in connection with this service shall be approved by the Government, and that the official correspondence shall be carried free of charge, which mail will receive preferential treatment for transportation.
9. In the event of serious internal disturbances, epidemics, or any other public calamity, the aircraft supplies and personnel of the Company will be placed at the disposition of the Government free of charge.

10. In the event of internal war aircraft and supplies of the Company will become the property of the State.
 11. The Company shall at an early date submit its articles of incorporation.
 12. The Company is required to deposit with the "Caja de Depósitos y Consignaciones" within ten days from this date, the sum of One Thousand Peruvian Pounds (1,000 Peruvian pounds) as a guarantee for the fulfillment of its obligations.
 13. The Company in view of the nature of the services it is required to perform, will receive preference in clearances over land transportation companies, in the customs houses, post offices and immigration departments of the Republic.
 14. Any conditions which may not be covered by this Resolution will be contemplated separately.
- To be registered, communicated, and filed.
- Seal of the President of the Republic.

[fol. 12]

GOVERNMENT'S EXHIBIT 7

Private. #6300

F.O.

6215

Valpo-2261

LIMA,

June 13th, 1928.

NEW YORK HOUSE:

AERIAL SERVICE - PERU/UNITED STATES.

Referring to our private letter #6215 of the 6th. inst. on the above subject we enclose herewith copy of legal report on the concession secured by the Huff Daland Dust-ers Inc. for an aerial service between Peru and the United States. The report in question is in Spanish and we have

not had an opportunity of making a translation but presume you will be able to arrange this at your end.

Referring further to the subject of the aerial service we enclose herewith clipping from the West Coast Leader from which you will note that the same concession as granted to the Huff Daland Dusters Inc., has been given to the Cia. Aviacion Faucett, S.A., and to Sr. Rodolfo Beck, special representative of the Netallbauten G. M. B. H. Friedrickshafen, about which we wrote you in our previous letter. From this you will see that none of the Companies have a sole concession and should you want to start a service, as far as the Peruvian Government is concerned we do not think there would be any difficulty in getting the same concession as given to the three Companies above mentioned.

For your information Mr. Woolman of the Huff Daland Dusters Inc., advised us personally that he had made an agreement with the Marconi Co. to carry air mail from

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[fol. 13] Peru and on the Peruvian Coast. Naturally if this is the case the other two Companies will not be able to carry mail which means that they will not secure this revenue for their line. However, we have had no official confirmation on what Mr. Woolman says and will naturally keep you posted with any interesting developments with regard to the Aerial Service in this country.

Yours very truly,

p. p. W. R. GRACE & Co.,

HARRIS

CCB/h.
enclo.

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[fol. 14]

GOVERNMENT'S EXHIBIT 8

June 20th, 1928

Mr. J. T. Trippe,
Atlantic Gulf & Caribbean Airways, Inc.,
New York City.

Dear Mr. Trippe:

In accordance with Mr. Hoyt's desires, I confirm the following understanding between Huff Daland Dusters and Atlantic, Gulf & Caribbean Airways, Inc.

1. That Huff Daland Dusters will grant to Atlantic, Gulf & Caribbean in return for the sum of \$4,000 paid to Huff Daland an option upon the concession for air mails with the Peruvian Government for a period to run until June 1st, 1929.

2. In addition to the \$4,000 to be presently paid to Huff Daland Dusters, it is understood that if the option shall be exercised by Atlantic, Gulf & Caribbean that they will pay to Huff Daland Dusters the actual cost of securing this concession, and in addition if at that time the situation warrants it a proper profit to be determined by Messrs. Hoyt, Trippe and Gott, and that this profit shall be added to the above mentioned amounts.

Very truly yours,

HUFF DALAND DUSTERS, INC.

By Edgar N. Gott
Pres.

[fol. 15]

GOVERNMENT'S EXHIBIT 9

U.S. ARMY PAN AMERICAN FLIGHT

July 7, 1928.

Mr. R. H. Patchin,
Manager, W. R. Grace & Company,
P.O. Box 286,
Hanover Square,
New York, N.Y.

Dear Mr. Patchin:

Under separate covers I am mailing you the following:

- (a) Study on a proposed commercial air line between Colon and Valparaiso, with Exhibits "A", "D" and "E" (large envelope)
- (b) Exhibit "B" (large roll of maps)
- (c) Exhibit "C" (large envelope of maps)

~~This is the report~~ you asked me to prepare and I regret that I have been unable to get it to you sooner but interruptions and correspondence to the Pacific Coast, as well as considerable research that I felt necessary, have taken up the time since you made your request.

There is much more detail that might be added and I should be glad to help further in this respect but consider work on additional data can better proceed after preliminary decisions by your company to go ahead on the organization of the air line have been made. I have left out all consideration of costs in accordance with your verbal instructions.

Trusting I may be of further assistance and assuring you of my earnest desire to hear that W. R. Grace & Company have decided to establish the "Grace Air Line", I am, with kindest regards,

Very truly yours,

/s/ H. A. DARGUE

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[fol. 16]

GOVERNMENT'S EXHIBIT 10

July 20, 1928

Keystone Aircraft Corporation
Bristol, Pa.

Attention: Mr. Edgar N. Gott, President

Gentlemen:

Referring to your letter of June 25th and our acknowledgment thereof under date of the 26th:

Enclosed herewith please find your invoice, dated June 25th, 1928, in the amount of \$4,000.00 and our check for a like amount, in full payment thereof.

We would confirm in detail, the transaction between Huff Daland Dusters, Inc. and Atlantic, Gulf & Caribbean Airways, Inc., referred to in the attached-invoices as follows:

1. Huff Daland Dusters, Inc. grants to Atlantic, Gulf & Caribbean Airways, Inc., in consideration of the sum of \$4,000.00, attached herewith, an option for the period through June 1st, 1929, on the concessions for Air Mail already held or presently to be acquired by Huff Daland Dusters with the Peruvian Government.

2. In addition to the \$4,000.00 being paid Huff Daland Dusters, Inc. referred to above, it is understood that if the option is exercised by Atlantic, Gulf & Caribbean Airways, Inc., they will pay to Huff Daland Dusters, Inc., the actual cost of securing the concessions in question. Furthermore, if the situation warrants it, at the time such options are taken up, a proper profit to be determined by Messrs. Hoyt, Trippe and Gott shall be paid, and this sum added to the costs of securing the concessions.

In connection with paragraph one above, it is understood that the "Concession for Air Mails" includes all aviation concessions covering the operation of Commercial Aircraft other than dusting, and in particular all contracts between

Huff Daland Dusters and the Peruvian Government and/or the British Marconi Company, having to do with the carrying of mails by air.

Yours very truly,

ATLANTIC, GULF & CARIBBEAN AIRWAYS, INC.,

J. T. Trippe
President

[fol. 17]

GOVERNMENT'S EXHIBIT 11

AVIATION CORPORATION OF THE AMERICAS

MINUTES OF SPECIAL MEETING OF
BOARD OF DIRECTORS

JULY 18, 1928.

• • • •

Upon motion duly made and seconded, and after consideration, the following resolution was adopted:

RESOLVED, that the proper officer or officers of this Corporation be and they hereby are authorized, empowered and directed to cause to be organized under the laws of Peru a corporation having as its general objects and purposes the conduct, management and/or supervision of aviation activities, said corporation to have such authorized capital stock as shall be determined and designated by Messrs. Richard F. Hoyt, C. V. Whitney and J. T. Trippe, and that upon the completion of the organization of such Peruvian corporation, the proper officer or officers of this Corporation be and they hereby are authorized, empowered and directed to subscribe and pay for the capital stock of said Peruvian corporation up to but not exceeding the amount of \$10,000, and to transfer or cause to be transferred to such Peruvian corporation the options and concessions for aviation activities in Peru heretofore obtained by Huff-Daland Dusters, Inc., and here-

tofore transferred to Atlantic, Gulf & Caribbean Airways, Inc. and included in the assets and property of said Atlantic, Gulf & Caribbean Airways, Inc., recently acquired by this Corporation.

[fol. 20]

GOVERNMENT'S EXHIBIT 13

MEMORANDA

August 1st, 1928.

Mr. Trippe:

I lunched with Mr. Iglehart, Mr. Patchin, Mr. Garney, all vice-presidents of W. R. Grace and Company. These gentlemen are very much interested in the proposed West Coast Air Mail Line but feel it would be a great mistake to make it a passenger line primarily. (Of course this would interfere with their passenger traffic.)

They talked at length regarding the small Peruvian operation as a starter and mentioned the fact that they would probably be interested in putting in about \$25,000 to be matched against \$25,000 of A. C. A. money, in order to try out the Peruvian line for a few months. Incidentally they feel, or rather Mr. Iglehart expressed the belief that it would not be desirable to form a Peruvian Company for this work but that an American Company should be formed. He thought that a transfer of mail contracts two or three times would simply be a waste of time and energy and he also feels that with international expansion an American company would be very much better. They also talked at length about putting in more capital right away and operating a through line from Panama to Calla, the idea being to purchase two Loening Amphibians similar to the one Mr. Hoyt is now using. These two planes to be used in conjunction with planes already arranged for in Peru.

The advantages of associating with Grace & Company are of course, self evident particularly in view of the fact that they have good political backing in the various coun-

tries involved and in addition have already established necessary agencies for the sale of air mail stamps and air passenger tickets. Also the various port facilities as well as wireless service could be made available to us without requiring special investment for such equipment.

A press report states that the Germans have made the first flight on an air-mail to Guayaquil from Colombia and that this will be a regular mail route.

(sgd) HAROLD R. HARRIS
Harold R. Harris

MAG

The Grace people want to see a budget on this line. [In handwriting]

(sgd) H.

[fol. 21]

GOVERNMENT'S EXHIBIT 14

EXHIBIT "A"

August 13, 1929.

DRAFT MEMORANDUM
WEST COAST OPERATIONS

It is proposed to undertake development work leading up to the installation of a regular tri-weekly service between Cristobal, Canal Zone and Valparaiso, Chile, and or Buenos Aires, Argentine Republic, as follows:

1. Aviation Corporation of the Americas, hereinafter known as A.C.A., to advance Harold Harris, as Trustee of the Peruvian National Company now being organized, the sum of \$25,000. This sum later to be transferred to the new Peruvian Company and to cover A.C.A.'s subscription to \$25,000 of its capital stock.

2. The Grace Steamship Company and/or an affiliated Company, hereinafter known as Grace, to subscribe to

\$25,000 of the new Peruvian Company's stock, such subscription to be dated August 15th, 1928, and to carry interest at the rate of 6% until called.

3. Harold Harris to purchase and ship to Lima, through Huff Daland Dusters, Inc., and for the account of the new Peruvian Company, one Fairchild Cabin Monoplane, with necessary spares.

4. The Board of the new Peruvian Company to consist of five Directors:

.....

The Officers of the new Peruvian Company to be:

President (A. C. A. nominee)

Vice President &
 General Manager (Harold R. Harris)

Secretary (Grace nominee)

Treasurer (" ")

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[fol. 22] 5. The new Peruvian Company to purchase from A.C.A. for the sum of \$4,000.00, the option to the Peruvian Concession and mail contracts negotiated by Huff Daland Dusters, Inc., the new Peruvian Company to reimburse Huff Daland Dusters, Inc., for the expenses actually incurred in securing concessions and mail contracts through September 1st, such sum not to exceed \$.....

6. The new Peruvian Company to take up this option from Huff Daland Dusters, Inc., and have transferred to it said concessions and mail contracts. In transferring said concessions and mail contracts from Huff Daland Dusters, Inc., a foreign corporation to the new Peruvian Company, a domestic corporation, said concessions and contracts to be broadened and improved with the help of A.C.A. and

the local Grace interests. In general, A.C.A. Draft B concession to be used by new Peruvian Company as a model in seeking to improve said concession and mail contracts.

7. Service between Lima and Paita to commence on October 1st, under the direction of Mr. Harris. The Fairchild Cabin Airplane and one dusting Airplane, to be chartered from Huff Daland Dusters, Inc., to service as equipment. No passengers will be transported for the first month and or until the service has been found to be technically feasible and safe.

8. For the first six months operations shall be restricted to one round trip weekly between Lima and Paita. The estimated results for this period are outlined in Exhibit "A" attached herewith.

9. A.C.A. will forthwith hand over to Grace its draft "B" model concession, together with other economic data already compiled, having to do with the proposed air transport service on the West Coast, Grace will forward copies of its documents to its agents on the West Coast for study. As soon as practical, an attempt will be made by their agents in Ecuador and Chile to secure such concessions in the name of Corporation or Pan American Airways, Inc., a New York corporation. All such concessions to carry the privilege of transfer to another entity with the consent of the Government concerned.

10. Pan American Airways, Inc., to attempt to acquire operating rights and legal standing in Colombia, either in its own name or in the name of a local national Company formed to hold them. (These rights will be required in connection with the proposed extension of Pan American Airways, Inc., service along the North Coast to Trinidad and the Guianas).

11. A.C.A. and Grace to consider the local situation in Bolivia and the Argentine and to jointly select individuals to negotiate concessions in these countries.

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12. Mr. Harold Harris is to devote the first two months of his time after arriving in Lima to the organization and

installation of the Lima-Paita service. As soon as the one GR-11216

[fol. 23] round trip weekly service is in regular operation, Mr. Harris is to devote considerable time to the survey of technical conditions on the West Coast, commencing with the section between Cristobal and Lima, that he be in a position to recommend proper equipment to extend the initial service following the contemplated acquisition of a United States mail contract.

13. The A.C.A. traffic department to map out a survey covering estimated passenger, mail and express service, including international Northbound air mail, for the territory between Colon, Lima, Valparaiso and Buenos Aires. Mr. Harris with the cooperation and help of local Grace agents, to conduct such traffic survey and have same completed before November 1st, 1928.

14. Messrs. Trippe and Patchin to continue negotiations with the United States Post Office Department toward the early advertisement for mail service from Cristobal South, via Valparaiso to Buenos Aires. Messrs. Trippe and Patchin to advise the Post Office Department that they would be interested in a contract which would permit of their retaining an option to inaugurate service contingent on the securing of proper operating rights and legal standing in the countries concerned. Also, contract which would permit of a year within which to commence service, following official notice of award, and which, in general, would be placed in operation section by section from Cristobal South as "operating conditions will permit and economic conditions justify". There is some doubt as to whether or not the Comptroller will pass for payment mail contracts made by the Post M-G. under the May 8th Foreign Mail Act. It is believed that the contract for same under the existing legislation, along the general lines indicated. Also that the contractor would be amply protected against loss through permission, obtained in supplementary letter, to defer separations to inaugurate service pending enactment

of clarifying retroactive legislation at forthcoming short session.

15. Negotiations with any European Transport Companies in which the proposed West Coast operations are concerned would be deferred until the matter of the selection of the Corporation which would undertake the West Coast service had been agreed upon by A. C. A. and Grace.

16. No attempt to include data on financial requirements, operating costs or estimated revenue, has been made.

In general, the round figure of \$250.00 per airway mile for three-times-a-week service by multi-engined 2,000 pound payload airplanes, will be of value.

Operating costs including all proper indirect charges should be under \$2.00 per airplane mile. With a proper load factor and under efficient management, the cost figure should approach \$1.60 per airplane mile.

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[fol. 24]

GOVERNMENT'S EXHIBIT 15

August 31, 1928.

Aviation Corporation of the Americas,
100 East 42nd Street,
New York City.

Attention: Mr. J. T. Trippe

Dear Sirs:—

This will confirm arrangement under which we will associate for the commencement of an airplane service in Peru with the view of ultimately inaugurating a through mail service from the Panama Canal to Valparaiso, Chile.

A corporation will be formed under the laws of Delaware with a capital stock of \$50,000, of which \$25,000 will be

subscribed by yourselves and \$25,000 by ourselves. This corporation will pay to Huff-Daland Dusters, Inc. the sum of \$15,000 for an assignment which will convey all of the rights of that company under its present Peruvian mail contract and concession. As soon as possible after the assignment has been completed, operations will be started by this company in Peru and every effort will be made to put the business there on a paying basis.

We will in the meantime cooperate with you in studying the costs of operation on the route from the Panama Canal to Valparaiso and also the advisability of requesting the U. S. Post Office Department to advertise for a mail contract on such route and the terms of such advertisement.

If you determine that it is advisable to bid on a contract for carrying the mails between the Panama Canal and Valparaiso, the Delaware corporation above referred to will be used in such service either by an increase in its capital stock to an amount sufficient to operate on the whole route or as a subsidiary operating in Peru. In either event our subscriptions to the stock of the Delaware Company shall be credited at their full amount in the capital setup of the corporation operating the through service. We shall also have a reasonable time after a study of the estimated costs of such operation to determine what interest, if any, we will take in the company making the bid in addition to our initial investment of \$25,000, such interest not to exceed, however, more than fifty percent of the total capitalization.

You will have charge of the operation of the service

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[fol. 25] from the Canal to Valparaiso and our houses on the West Coast of South America will be the agents of the company on a reasonable compensation basis, such agency to continue during the life of transportation contracts undertaken by the company.

The details of carrying out the above must, of course, be worked out as we go along. We believe, however, that we have stated broadly the basis of our understanding.

Very truly yours,

W. R. GRACE & Co.

COGSWELL
Assistant Secretary

WFC:GVB

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[fol.26]

GOVERNMENT'S EXHIBIT 16

Private # 8196

3.15

New York, Sept. 4, 1928.

W. R. Grace & Co.,

Lima, Peru.

Dear Sirs:

We have entered into an arrangement with the Aviation Corporation of the Americas (which owns all the stock of the Pan-American Airways, Inc.) to form a Delaware Corporation under the name of Peruvian Airways Corporation, of which we will each own 50% of the stock. This Corporation will operate a weekly air service between Callao and Talara. For your private information, the ultimate purpose is to use this Corporation, if the operation justifies it, as a nucleus for the inauguration of an airmail service between the Canal and Valparaiso, for which our West Coast houses will act as agents.

The officers of the Corporation are to be: President, J. T. Trippe; Vice-President and General Manager, Harold H. Harris; Vice-President, R. H. Patchin; Secretary, William F. Cogswell.

We should like to have a member of the Linfa Office act as Treasurer as Mr. Harris intends to spend considerable time studying aviation conditions on the Coast and it will be necessary to have someone to disburse the company's funds during his absence. We will accordingly elect Mr. Bush to such position but if for any reason this is not agreeable, we will elect another Treasurer at your cabled request.

Mr. Harris, who is to have charge of the operation of

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WAK

[fol. 27] the Company, is proceeding to Callao on the next voyage of the S/S "Santa Luisa". He will first arrange for the assignment to the new company of the Mail Contract and concession now held by Huff Daland Dusters Inc. and for the commencement of the service as soon as possible. We should appreciate any assistance you can give him in this connection and in seeing that the company is legally qualified to do business in Peru. ((We will make payment for the assignment when you advise us by cable that it has been effected and that it carries with it the equity of \$4,000. in security which was deposited by the Huff Daland Co. with the Peruvian Government.))

We will send you next week a copy of Mr. Harris' power of attorney and further details as to the method of putting Mr. Harris in funds. Our present idea is to send you a credit note for the account of the Airways Co. which Mr. Harris can draw upon as the necessity arises.

While Mr. Harris will have to work out the details of the schedule to be maintained, it is our idea that a plane will pick up the mail from the Grace Line ships southbound at Talara and carry it to Callao and northbound catch the P.S.N.C. and C.S.A.V. ships at Païta. While the flying time will be only one day less than the steaming time, it may well be that by use of the air service a whole week's time will be gained. For example, the P.S.N.C. and C.S.A.V. boats leave Callao northbound the day after the Grace boats arrive southbound. There would seem to be very

little opportunity to have a reply to a letter arriving on the Grace boat go forward on the P.S.N.C. or C.S.A.V. boat
G4342

GR-30

[fol. 28] the next day. On the other hand, if the letter should be taken off at Talara and carried by plane to Callao, there would probably be sufficient time to have the reply go forward on one of those boats two days later, and an additional day would be added by having a reply carried to Paita and placed on the northbound ship at that port.

Northbound the Grace boats leave one day and two days respectively after the arrival of the P.S.N.C. and C.S.A.V. boats southbound. There would be an extra day to reply to letters arriving on the southbound ships if it should be carried by plane to Talara.

The success of this operation naturally will depend on keeping expenses at a minimum and obtaining as much business as possible. It is the intention for the present to concentrate on air mail and express and not carry passengers at least until the line has been in operation for several months. We trust that our houses in Peru will use every effort to stimulate interest in this business and be of all assistance possible. Of course, when they act as agents in any of the cities, they will receive reasonable agency fees which should be along the lines of those paid by the steamship company, and we should like to have your ideas as to what would be a reasonable charge. You would probably be in a better position, however, to determine this after operations have been commenced.

Very truly yours,

W. R. GRACE & Co

COGSWELL

Assistant Secretary

G 4343

GR-31

WFC:HM

[fol. 31]

GOVERNMENT'S EXHIBIT 18

AVIATION CORPORATION OF THE AMERICAS

100 East 42nd Street New York

September 7, 1928.

3.15

Received at N.Y.
Sep 10, 1928W. R. Grace & Company,
10 Hanover Square,
New York City.

Attention Mr. William F. Cogswell

Dear Sirs:

We beg to confirm the arrangement set forth in your letter of August 31st.

Supplementing paragraph four, however, we would point out the fact that in the event you decide not to take up a substantial interest in a jointly owned Company, organized or to be organized for the purpose of submitting a bid on the contract for carrying mails between Panama Canal and Valparaiso, then, and in that event, we would prefer to bid on the contract through the medium of Pan American Airways, Inc., or some other wholly owned subsidiary.

If this were done, we would arrange to allow you, if you desired, to take a further stock interest in Aviation Corporation of the Americas, in addition to the \$25,000. referred to in paragraph five.

Our Directors are delighted that we are to be associated with your firm in the development of air transportation on the West Coast of South America, and we look forward to a most pleasant and profitable relationship.

We would appreciate your advising us if this letter, in connection with yours of August 31st, covers your understanding of our arrangement.

Yours very truly,

AVIATION CORPORATION OF THE AMERICAS

By J. T. TRIPPE
J. T. Trippe,
Vice President.

JTT:B

G 4349

GR-37
10-25-54
PJS

[fol. 32]

GOVERNMENT'S EXHIBIT 19

PERUVIAN AIRWAYS CORPORATION

September 7, 1928.

Mr. Harold R. Harris,
Vice President and General Manager,
Peruvian Airways Corporation,
100 East 42nd Street,
New York City.

Dear Sir:

In taking up your duties and responsibilities as Vice President and General Manager of the Peruvian Airways Corporation, you will follow, in general, the program hereinafter set forth.

1. You will proceed to Lima, from either New York City or New Orleans, in time to make connection at the Canal Zone, with the Grace Line steamer leaving New York City on Thursday, September 13th.
2. Upon arriving in Lima, you will call on Mr. Charles G. Bush, one of the Managers of the local Grace house. Cooperating with him and other local Grace officials,

you will transfer the Air Mail Contract, granted to Huff Daland Dusters, Inc., by the Peruvian Government, to the Peruvian Airways Corporation.

3. Coincident with this transfer, you should attempt to improve the general concession, by having inserted as many as possible of the additional privileges set forth in the Model B concession, attached herewith. Those paragraphs having to do with the right to sell Air Mail Stamps directly, of course are not essential, inasmuch as Peruvian mails are handled by a private Corporation.
4. While transfer of the permits and contracts is being completed, you should arrange, if possible, for desk room and office service, at reasonable charges, at the local Grace house.

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10-26-54

SLA

- [fol. 33] 5. You will endeavor to negotiate agreements with W. R. Grace and Company at Lima, whereby the various Grace Company houses in Peru will represent Peruvian Airways, Corporation, as General Agents, to handle the solicitation of mail, express, and possibly later passenger traffic. At Talara, you should attempt to negotiate similar contracts with the International Petroleum Company. It is possible that you will have time to close this matter en route to Lima. A letter of introduction to the local official in charge is being handed you.
6. You should qualify this Company to conduct business in Peru, and for this purpose there is being handed you certified copy of its charter, properly attested by the Peruvian Consul.
 7. You will arrange to have transferred from Huff Daland Dusters, Inc., to Peruvian Airways Corporation, the Fairchild cabin monoplane, purchased by them, as agent. As soon as this transfer has been completed,

cable me, that funds advanced to Huff Daland Dusters, Inc., by Aviation Corporation of the Americas, covering the purchase of this ship may be remitted by Peruvian Airways Corporation to Aviation Corporation of the Americas. Payment will be made out of the New York City funds of the Company. Upon receipt of proper vouchers, covering the purchase and shipment of certain spares for the Fairchild Airplane, by Huff Daland Dusters, Inc., and upon delivery of same to you in Peru, same should be paid by you out of local funds.

8. Upon completion of the transfer of the air mail permit and contract referred to in paragraph two above, you will cable me, in order that payment of \$15,000. to Huff Daland Dusters, Inc., and \$4,000. to Aviation Corporation of the Americas, as provided for under existing agreements, can be made.
9. Following the transfer referred to, you should arrange to operate the Lima-Tafara route as nearly as possible under the budget you submitted to me with your letter of July 26th, 1928, copy of which budget is attached herewith. Until such transfer has been completed, no air-mail operations should be attempted by Peruvian Airways Corporation, either directly or through another Company for its account. Local commitments and disbursements should be deferred as much as possible until transfer has been made.

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10-26-54

SLA

- [fol. 34] 10. After Air Mail operations commence, every effort should be made by you to keep costs of operation to a minimum and you should seek to develop other possible sources of revenue, not only from mail and express, and later from passenger traffic, but also from all other forms of aerial service.
11. Such insurance as you consider advantageous to the Company's interests, should be taken out.

12. Negotiations should be entered into with the officials of the Peruvian Post Office (The British Marconi Co.) in an attempt to secure their special assistance in connection with Air Mail shipments, by some method of increased revenue to the Post Office Department.
13. No passengers should be carried on the Air Mail flights until the line has been completely organized. At such time as you consider the operations have advanced to a point to warrant carrying passengers, please cable me for authority to proceed. The matter will then be considered by the Board of Directors.
14. Additional flying equipment can be purchased or leased from outside Companies on such terms as you consider most advantageous to the interests of the Peruvian Airways Corporation.
15. At such time as the Lima-Talara Line is operated to your satisfaction, you will commence a survey of the airway between the Panama Canal Zone and Talara. Later, this survey should be extended South to Valparaiso.
16. A record of all disbursements and all income should be kept, and a monthly report covering same should be forwarded to me at the New York Office of the Company—Room 2327, 100 East 42nd Street.
17. All correspondence on Company business should be official correspondence, bearing serial numbers. The correspondence should be divided into two series; first, the regular series bearing the serial numbers 1, 2, 3, etc., and, second, a private series, bearing the series A, B, C, etc. Letters of the private series will not be

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10-26-54

SLA

[fol. 35] opened by anyone but Mr. Cogswell or myself. Similarly, you should advise persons having to do with the receipt of correspondence addressed to you that all letters bearing the caption "Private Series" on the envelope, should not be opened except by yourself or such other person as you might designate.

All cable correspondence between New York and Lima will be handled through the courtesy of W. R. Grace & Company, under their private code. Where this is impractical, Bentley's Complete Phrase Code (Reprint of First Edition).

Regular serial letters should be addressed to me—Room 2327, 100 East 42nd Street—and there should be attached a carbon copy with each letter. Furthermore, the second carbon should be addressed to Mr. W. F. Cogswell, Treasurer of the Company, 10 Hanover Square, New York City.

18. There is being prepared, and will be forwarded you shortly, a general program to be followed by you, in mapping out the technical and traffic survey, referred to in Paragraph 15. Also, copies of ticket forms and general information, with reference to passenger solicitation and the legal liability in connection therewith, are being prepared and will be forwarded shortly. The question of passenger liability and the ticket forms being forwarded, of course, should be cleared with your local attorney. For your information in this connection, in many Latin American countries, releases are binding, not only in the event of accident, but also any properly drawn release precludes an estate from collecting damages in the event of death.
19. Funds will be advanced from time to time, to the Grace house at Lima, against whom you can draw. This matter is covered in your Power of Attorney, being handed you today. There is also being advanced to you, as an advance against traveling expenses and other proper disbursements, the sum of \$1,000.00.
20. The technical surveys referred to in Paragraph 15 are being conducted with the end in view of establishing passenger, mail and express service between Canal Zone, Callo and Valparaiso, subject to the acquisition, by an affiliated Company, of a United States Mail Contract over this route. The general plans of this

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SLA

[fol. 36] Corporation and its affiliated interests, contemplate delegating to you the supervision of all flight operations, following the inauguration of the proposed through service.

21. I will keep you informed as to developments, in connection with the acquisition of the United States Mail Contract.

Wishing you every success in the installation and operation of the Transport Service in Peru, I remain,

Very truly yours,

PERUVIAN AIRWAYS CORPORATION

By _____
J. T. Trippe
President.

JTT:B

CC: Messrs. Cogswell,
Hoyt
Patchin

GR-42

G006712

[fol. 37]

GOVERNMENT'S EXHIBIT 20

September 12, 1928.

Aviation Corporation of the Americas,
100 East 42nd Street,
New York City.

Attention: Mr. J. T. Trippe

Dear Sirs:—

This will confirm that arrangement outlined in your letter of September 7th is in order upon the understanding

that by the words "substantial interest" in the second paragraph thereof is meant ten percent or more at our option.

Very truly yours,

W. R. GRACE & Co.

COGSWELL

Assistant Secretary

WFC:GVB

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10-26-54

PJS

[fol. 38]

GOVERNMENT'S EXHIBIT 21

Private No. 8292

Aviation

Corr wi West Coast House

September 12, 1928.

W. R. Grace & Co.,

LIMA

Dear Sirs:

Referring to our private letter No. 8198 of September 4th, we beg to confirm our cable of September 10th, as follows:

"110s Our 98 - 16th to 28th word
with them we have formed Peruvian
Airways Corporation Incorporated
here Harris will arrive Lima 'Santa
Luisa' writing fully".

The Aviation Corporation of the Americas, which owns all the stock of the Pan American Airways Inc., and which, in turn, has a contract for carrying the United States mails from Key West to Colon and from Key West to Porto Rico, is further advanced than any other concern in this country

in the matter of carrying foreign mail by air and we felt it highly advisable to accept their invitation to associate with them in a company to develop the concession of the Huff Daland Dusters, which will be taken over by the Peruvian Airways Corporation which has just been formed.

The purpose and policy of Peruvian Airways Corporation is set forth in the enclosed letter of instructions from Mr. J. T. Trippe, President of the Pan American Airways and of Peruvian Airways Corporation to Mr. Harold R. Harris, Vice President and General Manager, who is leaving this week from New Orleans for Colon where he will embark on the "Santa Luisa".

Mr. Harris appears to have an excellent knowledge of flight operations and to be earnest and reliable, but he has not had extensive general business experience and, possibly, may not realize the extent of the preparation and investigation required before any transportation enterprise

GR-43
11-16-54

G006703

[fol. 39] can be inaugurated in a country like Peru. You will note from the instructions that it is understood he will work closely with you and is to appoint you as general agents for the airways service all along the Peruvian coast. The general idea is that W. R. Grace & Co. will be the agents, not only in Peru but wherever it may be extended. If it is extended a new and larger company will be required in which the extent of our participation remains to be determined.

Mr. Bush has been elected treasurer, with the idea, on our part, that he is the one in your organization most familiar with the problems that will arise and can most effectively assist the development of this service.

Mr. Harris appears to attach high value to Grace assistance in every direction and as he seems to be of a frank and candid nature we have no doubt he will carry out his intention to keep you fully informed of all his work. If he does not please advise us. We feel strongly that you should be closely associated with the enterprise in order

that you, as well as we here, may become well informed in the general technique of air transport.

The U. S. Post Office Department is desirous of inaugurating air mail service at an early date from the Canal south to Valparaiso. We do not wish to hurry into bidding on such a contract but we feel that we should make as rapid progress as possible towards the point where we can decide whether or not a service can be established from Colon to Valparaiso that can pay, or nearly pay, expenses at \$2.00 per mile on the southbound voyage, which is the maximum now obtainable under U. S. foreign air mail contract, plus such mail, freight and, ultimately, passenger revenue as is obtainable on the northward operations. Lines which have daily flights in this country operate at a total cost, including capital, depreciation, etc. of 78/80 cents per mile. That is operation but as a West Coast service would hardly fly more than twice a week at best, it is doubtful whether the line could be operated for the \$2.00 GR-44

G006704

[fol. 40] mile of the outward voyage payable under mail contract, which makes an average of \$1.00 a mile for round voyage. The postal revenue under a United States contract is the only assured, certain, large income in sight. Therefore, the commercial feasibility of the service would seem to depend on the additional revenue obtainable from other sources and the first purpose of the Peruvian Airways is to develop these possibilities in Peru.

We would like you to cooperate with Mr. Harris, in obtaining the assignment of the Huff Daland concession to the Pan American Airways and if possible, broadening the concession. The press reports that Mr. Faucett recently received a concession to carry the mail from Callao to Talara, but we have no knowledge of the details.

If it is decided to bid on a through mail contract a pretty large organization will be required. One of the difficulties and heaviest items of expense will be to get competent personnel. It occurs to us that, in the event of a through service being established, it might be possible to work out

some plan of absorbing Faucett's company on a reasonable basis, if it has assets or personnel of value. This is, however, a matter to be approached pretty carefully and the subject was purposely omitted from Harris' instructions. He told him we thought you would be in a better position than he to develop this possibility.

The Huff Daland Dusters incurred considerable legal expense in getting their concession which ought not to be repeated in having it broadened, as indicated on the instructions to Mr. Harris.

Very truly yours,

W. R. GRACE & Co.

PATCHIN

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RHP/ID.
ENC.

G006705

[fol. 41]

GOVERNMENT'S EXHIBIT 22

chieftain 224

to METZNER.

11.9.28

1 224: your 163

peruvian airways request us to inform them necessary steps obtain in chile form B concession which you request them to send us shall we approach Chilian government

- 2 we and pan american airways
- 3 jointly own
- 4 peruvian airways corporation operating
- 5 lima talara
- 6 sentence ends as chilian government
- 7 urging united states
- 8 hasten air
- 9 mail service

10 we and pan american airways
11 now discussing
12 formation jointly
13 owned american company
14 to operate mail
15 passenger service
16 valparaiso arica
17 intermediate port-a
18 connecting as soon as practicable
19 with through
20 service peru
21 panama canal sentence ends form
22 B sent for your information
23 study closely
24 cable before our
25 meeting pan american airways
26 wednesday your opinion
27 how much of it
28 obtainable from chile
29 sentence ends avoid any
30 commitment-s but have no objection to
31 telling chilian government
32 our general idea
33 also consult
34 american ambassador telling
35 him as result
36 his representation
37 washington we and
38 pan american airways cooperating
39 actively sentence ends
40 are there any competent
41 american aviators
42 now in chile

G019005

Mr. Valvardo
Mr. Patchin
Mr. Cogswell

GR-5

1-5-54 APS

[fol. 42]

GOVERNMENT'S EXHIBIT 23

AVIATION CORPORATION OF THE AMERICAS

BOARD OF DIRECTORS

SEPTEMBER 17, 1928.

"Upon motion, duly made and seconded, the following preamble and resolution were adopted:

WHEREAS, certain officers of this corporation heretofore purchased 250 shares of the capital stock of Peruvian Airways Corporation, a Delaware corporation, at the aggregate price of \$25,000.00.

RESOLVED, that the purchase of the aforementioned shares of said Peruvian Airways Corporation be and the same hereby is ratified, approved, confirmed and adopted.

On motion, the following preambles and resolution were adopted:

WHEREAS, this corporation heretofore loaned to Huff-Daland Dusters, Inc. the sum of \$11,800.00 for the purpose of enabling said Huff-Daland Dusters, Inc. to purchase one FC-2 Type of Fairchild Cabin Monoplane upon the understanding that said Huff-Daland Dusters, Inc. would, if requested by this corporation, transfer said plane to a corporation proposed to be organized to undertake certain aviation operations in Peru whereupon such loan from this corporation to said Huff-Daland Dusters, Inc. would be cancelled and deemed repaid; and

WHEREAS, Peruvian Airways Corporation has been organized for the purpose of conducting such aviation activities in Peru and has made an agreement with this corporation whereby this corporation will request said Huff-Daland Dusters, Inc. to transfer said plane to Peruvian Airways Corporation upon the agreement by said Peruvian Airways Corporation with this corporation to pay to this corporation the said sum of \$11,800.00,

RESOLVED, that the aforementioned agreement between this corporation and said Peruvian Airways Corporation be and the same hereby is ratified, approved, confirmed and adopted, and that the proper officer or officers of this corporation be and they hereby are authorized, empowered and directed to request said Huff-Daland Dusters, Inc. to transfer the aforementioned plane to said Peruvian Airways Corporation upon the condition that said Peruvian Airways Corporation pays to this corporation the sum of \$11,800.00 upon the delivery of the possession of said airplane to Peruvian Airways Corporation and the execution and delivery by said Huff-Daland Dusters, Inc. of a bill of sale to said Peruvian Airways Corporation covering said airplane."

[fol. 43]

BOARD OF DIRECTORS

NOVEMBER 19, 1928.

"Mr. Trippe thereupon outlined the progress being made in the development of the company's plans for operations along the west coast of South America. He also reported briefly upon the activities of Peruvian Airways Corporation, a subsidiary of this corporation, the development of foreign competition in Chile, Argentina and Brazil, anticipated domestic competition, and the discussions had with W. R. Grace & Co. relative to the policy to be adopted on the west coast of South America.

On motion, duly made and seconded, it was

RESOLVED, that the President or Vice-President be and he hereby is authorized, empowered and directed to cause to be organized under the laws of Delaware, or such other state as may be advised by counsel, a corporation for the purpose of carrying on operations in South America, with an authorized capital stock of \$2,000,000.00, and to subscribe on behalf of this corporation for one-half of such authorized capital stock of said corporation, and to offer to W. R. Grace & Co. for subscription, or purchase, the remaining one-half

of such authorized capital stock in accordance with the agreement between this corporation and said W. R. Grace & Co., dated August 26, 1928."

BOARD OF DIRECTORS

DECEMBER 20, 1928.

"On motion, duly made and seconded, the following resolution was adopted:

RESOLVED, that Mr. J. T. Trippe, the Vice-President of this Corporation, be and he hereby is authorized and empowered to cause to be organized under the laws of the State of Delaware a corporation to be known as Chilean Airways Corporation, or such other name as may be selected by said Vice-President, with a total authorized capital stock of \$50,000.00, and to cause the proper officer or officers of said corporation to offer one-half of such total authorized capital stock, namely, \$25,000.00, to W. R. Grace & Co. for subscription, pursuant to an existing agreement between this Corporation and the said W. R. Grace & Co., and that the said Vice-President or the Treasurer of this Corporation be and he hereby is authorized and empowered to purchase and pay for the remaining one-half of the authorized capital stock, namely, \$25,000.00, of said proposed corporation."

[fol. 44]

BOARD OF DIRECTORS

FEBRUARY 21, 1929.

"On motion, duly made and seconded, the following preambles and resolution were adopted:

WHEREAS, Pan American Grace Airways, Inc. has been incorporated under the laws of the State of Delaware, with an authorized capital stock consisting of \$1,000,000, divided into 10,000 shares of the par value of \$100, each, for the purpose of engaging in aerial transportation; and

WHEREAS, said Pan American-Grace Airways, Inc. contemplates the submission of a bid or proposal to the United States Government for the transportation of mail by air over a certain route from Cristobal, Canal Zone, to Santiago, Chile, and return; and

WHEREAS, this corporation desires to subscribe for 50% of the authorized capital stock of said Pan American-Grace Airways, Inc.; and

WHEREAS, W. R. Grace & Co. have agreed to subscribe for the remaining 50% of the capital stock of said corporation,

RESOLVED, that the proper officer or officers of this corporation be and they hereby are authorized, empowered and directed to subscribe for a total of 5,000 shares of the capital stock of said Pan American-Grace Airways, Inc. at the aggregate price of \$500,000, payable in cash, and to make payment for such shares of stock out of funds of this corporation when and as required.

On motion, duly made and seconded, the following resolution was adopted:

RESOLVED, that the proper officer or officers of this corporation be and they hereby are authorized, empowered and directed forthwith to sell, assign, transfer and deliver to Pan American-Grace Airways, Inc. the 250 shares of the capital stock of Peruvian Airways Corporation, owned by this corporation, at the aggregate price of \$25,000.00 cash, to be paid on or before the 15th day of March, 1929, and also to sell, assign, transfer and deliver to said Pan American-Grace Airways, Inc. the 250 shares of the capital stock of the Chilean Airways Corporation, owned by this corporation, at the aggregate price of \$25,000.00 cash, to be paid on or before the 15th day of March, 1929, and to endorse and deliver, in the name and on behalf of this corporation, to said Pan American-Grace Airways, Inc. the certificates representing the aforementioned shares of capital stock."

[fol. 45]

BOARD OF DIRECTORS

MARCH 26, 1929.

"Mr. J. T. Trippe, the Vice-President of the Corporation, thereupon reported briefly on the present status of the proceedings before the United States Post Office Department with reference to the protest heretofore filed against the recent award to Pan American-Grace Airways, Inc. of the air mail contract for the Route along the west coast of South America."

BOARD OF DIRECTORS

MARCH 31, 1931.

"Mr. Trippe reminded the Board that, for some time prior to the negotiation of the above mentioned agreements, the operating companies of the Pan American Airways System had enjoyed the cooperation of Scadta, and that this cooperation had been of the utmost value in securing operating rights for Pan American Airways, Inc. on the north coast and for Pan American-Grace Airways, Inc. on the west coast of Colombia; that Scadta was the oldest successful commercial air transportation company in the world, having been established in 1921; that throughout its operation it had made a remarkable record as to earnings; that it enjoyed to a marked degree the confidence and the cooperation of the Colombian Government and people; and that it operated its own air mail service in Colombia and between Colombia and certain adjacent countries, held long term air mail contracts with the Colombian Government under which it enjoyed the right to sell its own stamps, as well as mail contracts with the governments of Panama, Ecuador and Venezuela, and had recently been recognized as the

[fol. 46]

GOVERNMENT'S EXHIBIT 24

Translation of Supreme Resolution, dated
26th of November 1928, transferring Huff
Daland Dusters, Inc. concession to Peru-
vian Airways, Inc.

Ministry of Government
and Police.

Lima, 28th of November, 1928.

Mr. Harold R. Harris,
Representative of the Huff Daland Dusters, Inc.

On the 26th of the present month the following Supreme
Resolution was issued:

"In view of the petition presented by the Huff Daland
Dusters, Inc. by which it requests that permission be granted
to transfer to Peruvian Airways Corporation, Inc. the
authorization given it by Supreme Resolution of the 28th
of last May, to establish aerial service in the country:—
And in accordance with the report made by the Administra-
tion of the services of Mails and Telegraphs, by the General
Aeronautical Inspection and the Military Cabinet:— It is
Resolved:— To grant the permission requested by the
Huff Daland Dusters, Inc. to transfer to Peruvian Airways
Corporation the authority given by the Resolution. Only
of the 28th of May, last, to establish an air in
service for the transportation of mails, cargo and Peru
passengers in the country.—Register, communicate and
file.—Rubrica of the President of the Republic.—SALAZAR".

Which I transcribe to you for your information and use.

(Sgd.) RAUL REY Y LAMA

[fol. 47]

GOVERNMENT'S EXHIBIT 25

MINUTES OF FIRST MEETING OF INCORPORATORS

—of—

SOUTH AMERICAN AIRWAYS CORPORATION

....

The first meeting of incorporators of

SOUTH AMERICAN AIRWAYS CORPORATION

was held on the 25th day of January, 1929, at 9:30 A.M., at the office of the UNITED STATES CORPORATION COMPANY, No. 19-21 Dover Green, in the City of Dover, Delaware, pursuant to a written waiver of notice signed by all the incorporators, fixing said time and place.

The following incorporators were present in person:

<i>Name</i>	<i>No. of Shares</i>
E. E. Craig	4
A. L. Raughley	3
M. S. Cook	3

being all the incorporators of the company.

On motion, E. E. Craig was elected Chairman, and A. L. Raughley was appointed Secretary of the meeting.

[fol. 48] The Chairman reported that the Certificate of Incorporation of the company had been filed in the office of the Secretary of the State of Delaware, on the 25th day of January, 1929, and a certified copy thereof duly recorded in the office of the Recorder of Deeds of the County of Kent, on the 25th day of January, 1929, and presented a copy of said Certificate of Incorporation. A copy thereof was ordered to be inserted in the minute book.

The Secretary presented a code of By-Laws for the regulation of the affairs of the company, which was read article by article, and unanimously adopted.

Messrs. RICHARD F. HOYT
J. T. TRIPPE
R. H. PATCHIN
W. F. COGSWELL

were nominated for directors of the company, to hold office for the ensuing year.

No other nominations having been made, a ballot was duly taken, and all the incorporators having voted, and their ballots duly canvassed, the Chairman declared that the above-named persons had been elected directors of the company by the unanimous consent of all the incorporators.

[fol. 49] Upon motion duly made and seconded, it was

RESOLVED, that the directors be and they hereby are authorized to issue the capital stock of this company to the aggregate amount of **ONE MILLION DOLLARS (\$1,000,000)** for money, labor done, personal property, real estate or leases thereof, or any of such considerations, as they shall from time to time deem advisable.

The Secretary presented the following transfers of subscriptions:

<i>From</i>	<i>To</i>	<i>No. of Shares</i>
E. E. Craig	W. R. Grace & Co.	4
A. L. Raughley	W. R. Grace & Co.	3
M. S. Cook	W. R. Grace & Co.	3

and upon motion duly made and seconded, the same were approved.

The meeting thereupon adjourned.

/s/ A. L. RAUGHLEY
Secretary of the Meeting.

[fol. 52]

GOVERNMENT'S EXHIBIT 27

(First page of Original Certificate of Incorporation
as filed and recorded January 25, 1929)

CERTIFICATE OF INCORPORATION

—of—

SOUTH AMERICAN AIRWAYS CORPORATION

FIRST: The name of the corporation is

SOUTH AMERICAN AIRWAYS CORPORATION.

SECOND: The principal office of the corporation in the State of Delaware is located at No. 19/21 Dover Green, in the City of Dover, Kent County. The name and address of its resident agent is the United States Corporation Company, No. 19-21 Dover Green, Dover, Delaware.

THIRD: The nature of the business, or objects or purposes proposed to be transacted, promoted, or carried on, are:

(a) To carry, convey, transmit, or transport, as, when and where lawful, goods, freight, express, articles of merchandise of every nature and description, securities, passengers, mails and intelligence by means of air craft.

(b) To design, manufacture, assemble, build, repair, maintain, operate, own, lease, let, purchase, sell and deal in air craft of every kind and description, by whatever power actuated and by whatever agency or method sustained or stabilized including (without limitation) balloons, dirigibles, aeroplanes, hydroplanes, hydro-aeroplanes, and all kinds and types of vehicles, mechanisms and devices now known or which may hereafter be discovered or invented for navigating the air, for purposes of pleasure, commerce, warfare or otherwise.

(c) To build, acquire, maintain, own, operate, let, lease, sell and otherwise dispose of air navigation facilities of every nature and description, including (without limitation) terminal landing fields, emergency land-

ing fields, aviation fields, hangars, land lighthouses, storage space, systems of radio, communications, air craft repair stations, mooring masts, landing buoys, air ports, either land or

[fol. 53]

(First page of Amended Certificate of Incorporation as filed and recorded February 21, 1929)

CERTIFICATE OF INCORPORATION

—of—

PAN AMERICAN-GRACE AIRWAYS, INC.

FIRST: The name of the corporation is

PAN AMERICAN-GRACE AIRWAYS, INC.

SECOND: The principal office of the corporation in the State of Delaware is located at No. 19-21 Dover Green, in the City of Dover, Kent County. The name and address of its resident agent is the United States Corporation Company, No. 19-21 Dover Green, Dover, Delaware.

THIRD: The nature of the business, or objects or purposes proposed to be transacted, promoted, or carried on, are:

(a) To carry, convey, transmit, or transport, as, when and where lawful, goods, freight, express, articles of merchandise of every nature and description, securities, passengers, mails and intelligence by means of air craft.

(b) To design, manufacture, assemble, build, repair, maintain, operate, own, lease, let, purchase, sell and deal in air craft of every kind and description, by whatever power actuated and by whatever agency or method sustained or stabilized including (without limitation) balloons, dirigibles, aeroplanes, hydroplanes, hydro-aeroplanes, and all kinds and types of vehicles, mechanisms and devices now known or which may hereafter be discovered or invented for navigating the air, for purposes of pleasure, commerce, warfare or otherwise.

(c) To build, acquire, maintain, own, operate, let, lease, sell and otherwise dispose of air navigation facilities of every nature and description, including (without limitation) terminal landing fields, emergency landing fields, aviation fields, hangars, land light-houses, storage space, systems of radio, communications, air craft repair stations, mooring masts, landing buoys, air ports, either land or water, plants, works, [fol. 54] stations, depots, and all equipment incidental to the proper maintenance thereof, and all other conveniences and appurtenances appropriate to any of its business.

(d) To design, manufacture, purchase, sell and trade in, and to install upon air craft, weapons and armor or other protective coverings, apparatus for measuring height and distance, determining location and direction, and for signalling or communicating in any way, and all apparatus, equipment and devices designed for use in connection with the navigation of the air.

(e) To conduct experiments on its own account and for others, to apply for, obtain, purchase, or otherwise acquire, patents, licenses, trade marks, trade names, processes, improvements, inventions, formulae, and the like, and to sell, mortgage, pledge, let or otherwise dispose of, or deal in, and to use, exercise and develop, grant licenses and other rights and privileges in respect to, and to experiment upon, test or develop any process, improvement, invention, patent, or patent right, or the like.

(f) To purchase, lease, hire, or otherwise acquire, hold, own, develop, operate, improve, sell, assign, transfer, exchange, mortgage, pledge or otherwise dispose of, or turn to account and convey, and to aid and subscribe toward the acquisition, development or improvement of, real and personal property and rights and privileges therein of every nature whatsoever, whether tangible or intangible, in the State of Delaware, and in all other states, territories, districts, colonies, and dependencies of the United States of America and in all foreign countries, including the good will of any,

corporation, copartnerships and/or individuals, suitable or convenient for any business of the corporation; and to acquire, take, hold, own, construct, erect, improve, manage, and operate, and to aid and subscribe toward the acquisition, construction or improvement of, buildings, mills, storehouses, warehouses, factories, machinery, apparatus, equipment, locomotives, cars, and other rolling stock, roads, bridges, docks, piers, wharves, ships, vessels, boats, dry and floating docks, marine railways, trucks, wagons, cars, and other vehicles, engines, motors, conveyances, rolling stock and other works, property or appliances which may appertain to, or be useful in, the conduct of any business of the corporation but only to the extent authorized by the laws of the State of Delaware.

(g) To acquire by purchase, subscription, or other-[fol. 55] wise, and to hold, sell, assign, transfer, exchange, lease, mortgage, pledge, or otherwise dispose of, any shares of the capital stock of, or voting trust certificates for any shares of the capital stock of, or any bonds or other securities or evidences of indebtedness issued or created by, this corporation or any other corporation or association organized under the laws of the State of Delaware or of any other state, territory, district, colony or dependency of the United States of America, or under the laws of any foreign country; to pay therefor in cash or property or to issue in exchange therefor shares of the capital stock, bonds or other obligations of this corporation; and, while the owner or holder of any such shares of capital stock, voting trust certificates, bonds or other obligations, to possess and exercise in respect thereof any and all rights, powers and privileges of individual holders, including the right to vote on any shares of stock so held or owned (provided, however, that this corporation shall not use its funds or property for the purchase of shares of its own capital stock when such use would cause any impairment of its capital, and provided further that shares of its own capital stock belonging to this corporation shall not be voted upon directly or indirectly;) and upon a distribution of the

assets or a division of the profits of this corporation, to distribute any such shares of capital stock, voting trust certificates, bonds, or other obligations, or the proceeds thereof, among the stockholders of this corporation.

(h) To organize subsidiary corporations and to convey and assign all or any part of the assets to any such subsidiary corporation or corporations in exchange for shares of the capital stock or other securities of such subsidiary corporation or corporations.

(i) To acquire, from time to time, in exchange for shares of the capital stock of this corporation as herein fixed or as may hereafter be increased, such property or shares of the capital stock of any other corporation or corporations, as the Board of Directors shall deem of advantage to this corporation, at such valuation of the property or shares so acquired as in the judgment of said Board of Directors shall be fair and just.

(j) To purchase, lease or otherwise acquire, in whole or in part, the business, good will, rights, franchises, and property of every kind, and to undertake the whole or any part of the assets or liabilities of any person, firm or association or corporation, engaged in or authorized to conduct any business authorized to be conducted by this corporation, or owning property necessary or suitable for its purposes, and to pay therefor in cash or in stock or bonds, or any other evidences of indebtedness of this corporation or otherwise; to hold or in any manner dispose of the whole or any part of the business, good will, rights, franchises, or property so acquired and to exercise all the powers necessary or incidental to the conduct of such business.

(k) To borrow or raise moneys for any of the purposes of this corporation, issue bonds, debentures, notes or other obligations of any nature, or in any manner, for moneys so borrowed, and to secure the payment thereof and of the interest thereon, by mortgage upon, or pledge or conveyance or assignment in trust of, the whole or any part of the property of this

corporation, real or personal, including contract rights, whether at the time owned or thereafter acquired, and to sell or pledge such bonds or notes or other obligations of this corporation for its corporate purposes.

(l) To aid, in any manner, any corporation or association any of whose shares of stock, bonds, or other evidences of indebtedness are held by or for this corporation, or in which, or in the welfare of which, this corporation shall have any interest, and to do any acts or things designed to protect, preserve, improve or enhance the value of, any such shares of stock, bonds or evidences of indebtedness, or the property of this corporation.

(m) To guarantee the payment of dividends upon any shares of the capital stock of, or the performance of any contract by, any other corporation or association in which, or in the welfare of which, this corporation has an interest, and to endorse or otherwise guarantee the payment of the principal and interest, or either, of any bonds, debentures, notes, securities, or other evidences of indebtedness created or issued by any such other corporation or association.

(n) To carry out all or any part of the foregoing objects as principal, factor, agent, contractor, or otherwise, either alone or in conjunction with any person, firm, association or other corporation, and in any part of the world; and in carrying on its business, and for the purpose of attaining or furthering any of its objects, to make and perform such contracts of any kind and description, to do such acts and things, and to exercise any and all such powers, as a natural person could lawfully make, perform, do or exercise.

(o) To remunerate, in cash, shares of stock, bonds, or other securities or evidences of indebtedness or [fol. 57] otherwise, any person, firm, syndicate, association, or corporation, for services rendered, directly or indirectly, in selling, placing or guaranteeing the selling or placing of any shares of the capital stock, bonds, debentures, or other securities or evidences of indebted-

ness, issued, owned or controlled by this corporation or by any other corporation in which this corporation is interested, or in connection with the formation, promotion, or operation of this corporation, or of any other corporation in which this corporation is interested, or in connection with the conduct of the business or affairs or the protection of the property and interests of this corporation.

(p) To conduct its business in all its branches at one or more offices in the State of Delaware and in any or all other states, territories, districts, colonies, and dependencies of the United States of America and in any or all foreign countries.

It is the intention that the objects and purposes specified in the foregoing clauses of this Article THIRD, shall, except where otherwise expressed in this Article, be in no wise limited or restricted by reference to, or inference from, the terms of any other clause of this or any other article in this certificate, but that the objects and purposes specified in each of the clauses of this Article shall be regarded as independent objects and purposes.

It is also the intention that said clauses be construed as powers as well as objects and purposes; and, generally, that the corporation shall be authorized to exercise and enjoy all other powers, rights, and privileges granted by the General Corporation Law, being Chapter 65 of the Revised Statutes, of the State of Delaware, to corporations of this character, as well as all the powers conferred or which may be conferred upon such corporations by the then [fol. 58] existing laws of the State of Delaware, so far as not in conflict therewith, or by all laws and acts heretofore or hereafter amendatory of, or supplementary to, said General Corporation Law, or of any or all of said laws or supplements thereto, but the enumeration of certain powers as herein specified is not intended as exclusive of, or as a waiver of, any of the powers, rights, or privileges granted or conferred by said General Corporation Law or the laws of said State now or hereafter in force; provided, however, that this corporation shall not have the power to carry on the business of constructing, maintaining or operating rail-

roads or railways within the State of Delaware; nor shall it possess the right of taking and condemning lands in the State of Delaware. This corporation shall not carry on any business, or exercise any powers, in any state, territory, or country which a similar corporation organized under the laws of such state, territory, or country could not carry on or exercise, except to the extent permitted or authorized by the laws of such state, territory, or country.

FOURTH: The total authorized capital stock of this corporation is One Million Dollars (\$1,000,000), divided into Ten Thousand (10,000) shares of the par value of One Hundred Dollars (\$100) each.

[fol. 59]

Amended September 8, 1939

FOURTH. The total number of shares of stock which the corporation shall have authority to issue is one hundred thousand (100,000); all of such shares shall be without par value.

Such stock may be issued by the corporation from time to time for such consideration as may be fixed from time to time by the board of directors thereof.

Amended December 27, 1935

FOURTH. The total number of shares of stock which the corporation shall have authority to issue is ten thousand (10,000); all of such shares shall be without par value.

Such stock may be issued by the corporation from time to time for such consideration as may be fixed from time to time by the board of directors thereof.

FIFTH: The amount of capital stock with which this corporation will commence business is ONE THOUSAND DOLLARS (\$1,000).

SIXTH: The names and places of residence of the [fol. 60] original subscribers to the capital stock and the number of shares subscribed for by each, are as follows:

Name	Residence	No. of Shares
E. E. CRAIG	DOVER, DELAWARE	4
A. L. RAUGHLEY	DOVER, DELAWARE	3
M. S. COOK	DOVER, DELAWARE	3

SEVENTH: The existence of this corporation is to be perpetual.

EIGHTH: The private property of the stockholders of this corporation shall not be subject to payment of corporate debts to any extent whatever. No transaction entered into by the corporation shall be affected by the fact that the Directors of the corporation, or any of them, were personally interested in it; and every Director of the corporation is hereby relieved from any disability that might otherwise prevent his contracting with the corporation for the benefit of himself, or of any firm, association, or corporation in which he may be in any wise interested.

NINTH: At all elections of Directors of the corporation, each stockholder shall be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of Directors to be elected, and he may cast all of such votes for a single Director or may distribute them among the number to be voted for, or any two or more of them as he may see fit, which right, when exercised, shall be termed cumulative voting.

TENTH: In furtherance, and not in limitation of the powers conferred by statute, and without prejudice to the right hereby conferred on the corporation to vest additional [fol. 61] powers in the Board of Directors in its By-Laws, the Board of Directors of the corporation is expressly authorized, except as otherwise expressly provided by law:

1. To exercise all corporate powers, including the sale, mortgage, hypothecation and pledge of the whole or any part of the corporate property, except as otherwise expressly provided by law.

2. To make, alter, amend, and repeal By-Laws of the corporation, and to increase and reduce (but not to

less than three (3)) the number of the members of the Board of Directors, and from time to time to make and change rules and regulations, not inconsistent with the By-Laws for the management of the corporation's business and affairs.

3. To purchase or otherwise acquire for the corporation, any property, rights, or privileges which the corporation is authorized to acquire, at such price or consideration, and generally on such terms and conditions as they may see fit, and at their discretion, to pay for any property or rights acquired by the corporation, either wholly or partly in money, stock, bonds, debentures or other securities of the corporation.

4. To create, make and issue mortgages, bonds, notes, debentures, deeds of trust, trust agreements and negotiable or transferable instruments and securities of all kinds secured by mortgages or otherwise, and to do every other act and thing necessary to effectuate the same.

5. To sell or dispose of any real or personal estate, property, rights, franchises or privileges belonging to the corporation, whenever in their opinion its interests would be thereby promoted, on such terms as they may see fit, and to sell, assign, transfer or otherwise dispose of the whole property of the corporation; to appoint any person or corporation to accept and hold in trust for the corporation, any property belonging to the corporation, or in which it is interested, or for any other purposes, and to execute and do all such acts and things as may be requisite in relation to any such trust.

6. To delegate, during the intervals between meetings of the Board, all or any of the powers of the Board to an Executive Committee, of not less than two of its members, or to any officer or agent, and to delegate the duties of any officer or agent to any other officer or agent; to appoint subordinate officers, agents, employees and delegates to have such powers (including the power to choose, remove or suspend subordinate officers, agents, employees or servants,

and to sub-delegate) upon such terms as they may see fit; and at their discretion to remove the same with or without cause, and to so remove any executive officer.

7. To provide for and to pay to Directors rendering unusual or exceptional services to the corporation, such special compensation appropriate to the value of such services as they may in their discretion see fit.

8. To declare dividends out of the profits of the corporation at such times and in such amounts as they may from time to time determine and before payment of any dividend or dividends, to set aside out of the net profits of the corporation, such amount or amounts as they may in their absolute discretion think proper as reserve to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for any such other purposes as the Directors may deem beneficial to the interests of the corporation, to apply the surplus earnings or accumulated profits of the corporation, otherwise by law to be reserved, to the purchase or acquisition of property to such an extent and in such manner and upon such terms as the Board may determine.

9. To determine, subject to the laws of the State of Delaware, and if allowed, when and under what conditions and regulations the records and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and the stockholders' rights in this respect are and shall be restricted and limited accordingly.

ELEVENTH: Both stockholders and directors shall have power, if the By-Laws so provide, to hold their meetings either within or without the State of Delaware, and to have one or more offices within or without the State of Delaware, in addition to the principal office in Delaware, and to keep the books and records of the corporation (subject to the provisions of the statutes) outside the State of Delaware, at such places as may be from time to time designated by the directors or officers.

TWELFTH: The corporation reserves the right to amend, alter, change, or repeal any provisions contained in

[fol. 63]

(Tenth page of Amended Certificate of Incorporation
as filed and recorded February 21, 1929)

this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on officers, directors and stockholders herein are granted, subject to this reservation.

WE, THE UNDERSIGNED, being the incorporators named in the original Certificate of Incorporation of SOUTH AMERICAN AIRWAYS CORPORATION, and the original subscribers to its capital stock, do hereby make and file this Certificate pursuant to the provisions of Section 25 of the General Corporation Law of the State of Delaware, being Chapter 65 of the Revised Code of Delaware, and the acts amendatory thereof and supplementary thereto, for the purpose of changing the name of the corporation to PAN AMERICAN-GRACE AIRWAYS, INC., and we do hereby declare and certify that the facts herein stated are true, and do respectively agree to take the number of shares of stock hereinbefore set forth and do hereby certify that no payment of any of its capital has been made, and accordingly have hereunto set our hands and seals this 21st day of February A. D. 1929.

E. E. CRAIG (L.S.)

A. L. RAUGHLEY (L.S.)

M. S. COOK (L.S.)

In the presence of:

C. H. JARVIS
as to all

STATE OF DELAWARE)

SS:

COUNTY OF KENT)

BE IT REMEMBERED, that on this 21st day of

(Eleventh page of Amended Certificate of Incorporation
as filed and recorded February 21, 1929)

[fol. 64] February, A. D. 1929, personally came before me C. H. JARVIS, a Notary Public for the State of Delaware, E. E. CRAIG, A. L. RAUGHLEY and M. S. COOK, parties to the foregoing Certificate of Incorporation, known to me personally to be such, and severally acknowledged the said Certificate to be the act and deed of the signers respectively, and that the facts therein stated are truly set forth.

GIVEN under my hand and seal of office the day and year aforesaid.

C. H. JARVIS
Notary Public.

[fol. 65]

(Tenth page of Original Certificate of Incorporation
as filed and recorded January 25, 1929)

this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on officers, directors and stockholders herein are granted, subject to this reservation.

WE, THE UNDERSIGNED, being each of the original subscribers to the capital stock hereinbefore named for the purpose of forming a corporation to do business both within and without the State of Delaware, and in pursuance of the General Corporation Law of the State of Delaware, being Chapter 65 of the Revised Code of Delaware, and the acts amendatory thereof and supplementary thereto, do make and file this certificate, hereby declaring and certifying that the facts herein stated are true, and do respectively agree to take the number of shares of stock hereinbefore set forth, and accordingly have hereunto set our hands and seals this 25th day of January, A.D. 1929.

E. E. CRAIG (L.S.)

A. L. RAUGHLEY (L.S.)

M. S. COOK (L.S.)

In the presence of:

C. H. JARVIS
as to all

STATE OF DELAWARE)

: SS:

COUNTY OF KENT)

BE IT REMEMBERED, that on this 25th day of January, A.D. 1929, personally came before me C. H. JARVIS, a Notary Public for the State of Delaware, E. E. CRAIG, A. L. RAUGHLEY and M. S. COOK, parties to the foregoing certificate of incorporation, known to me personally

(Eleventh page of Original Certificate of Incorporation
as filed and recorded January 25, 1929)

[fol. 66] to be such, and severally acknowledged the said certificate to be the act and deed of the signers respectively, and that the facts therein stated are truly set forth.

GIVEN under my hand and seal of office the day and year aforesaid.

C. H. JARVIS
Notary Public.

[fol. 67]

GOVERNMENT'S EXHIBIT 28

BY-LAWS

ARTICLE I.

Name and Seal

Section 1. *Name.* The name of this corporation is

PAN AMERICAN-GRACE AIRWAYS, INC.

Section 2. *Seal.* The corporate seal shall be in the form of a circle and shall contain the words "PAN AMERICAN-GRACE AIRWAYS, INC., CORPORATE SEAL, DELAWARE 1929."

ARTICLE II.

Location

Section 1. *Delaware.* The principal office of the corporation in the State of Delaware, shall be at No. 1921 Dover

Green, in the City of Dover, Kent County, and the name of the resident agent in charge thereof shall be United States Corporation Company.

Section 2. *Elsewhere.* The corporation may also have an office or offices at such other place or places as the Board of Directors may from time to time appoint or the business of the corporation may require.

ARTICLE III.

Stockholders' Meetings.

Section 1. *Place.* All Stockholders' Meetings shall be held within or without the State of Delaware as determined by the Board of Directors.

Section 2. *Annual.* The Annual Meeting of the stockholders for the election of Directors, and for the transaction of such other business as may properly come before the meeting, shall be held commencing with the year 1930 on the second Tuesday of April of each year, at 1:30 o'clock, P.M. If such Tuesday be a legal holiday, the meeting shall be held on the next succeeding business day.

Section 3. *Special.* Unless otherwise provided by statute, special meetings of the stockholders may be called by the president, or by resolution of the Board of Directors, at any time, and must be called by the President or Secretary at the written request of a majority of the Directors.

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[fol. 68] or by the owners of record of twenty per cent (20%) of the outstanding capital stock of the corporation. Such request must state the purpose of the meeting. The business of special meetings shall be confined to that stated in the notice and incidental matters germane thereto.

Section 4. *Notice.* Notice of all meetings of stockholders shall be mailed to each stockholder of record, at his address appearing on the books of the corporation, at least ten (10) days before the date of the meeting. Notice may

be given personally, by telephone or by telegraph, in which case, one (1) days' notice shall be sufficient. Meetings may be held without notice if every stockholder shall be present in person or by proxy or those absent shall waive notice in writing.

Section 5. *Quorum.* At all meetings of the stockholders, except where otherwise provided by law, or by these By-Laws, the holders of a majority of the capital stock issued and outstanding, present in person or by proxy, shall be requisite to, and shall constitute a quorum. If a quorum shall not be present, a majority in interest of the stockholders present, may adjourn from time to time, and from place to place, without other notice than by announcement at the meeting. At any such adjourned meeting at which a quorum shall be present, any business may transacted which might have been transacted at the meeting as originally called.

Section 6. *Voting.* At all meetings of the stockholders, each stockholder shall be entitled to cast one vote in person or by proxy for each share of stock standing registered in his name on the books of the corporation at the time of the closing of the transfer books for the meeting. Except where otherwise provided by law, or by these By-Laws, a majority vote of all stockholders present in person, or by proxy, shall be determinative of all questions, except in election of Directors where plurality vote shall govern. Interest of a stockholder in any question shall not disqualify him from voting thereon, or in any way invalidate such vote. Proxies must have been granted not more than three years prior to the stockholders' meeting, at which they are used. No stock shall be voted on at any election which has been transferred on the books of the Corporation within twenty (20) days next preceding such election.

Section 7. *Stock List.* A full list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the residence of each, and the number of shares held by each, shall be prepared by the Secretary and filed in the office where the election is to be held, at least ten (10) days before every election, and shall at all

times during the usual hours of business, be open to the examination of any stockholder. Such list shall be produced and kept at the time and place of election during the whole time thereof.

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ARTICLE IV.

Directors.

Section 1. *Number and Powers.* The Board of Directors shall consist of eight (8) members. The Board may increase and reduce the number of its members from time to time, provided that the number at no time shall be less than four (4). The Board shall elect officers of the corporation, and shall have general control and management of all the property, business and affairs of the corporation, with authority (without consent of the stockholders of the corporation, except where specifically required by law) to exercise and carry into effect all the purposes for which the corporation is organized and all the powers vested in this corporation by law.

Section 2. *Election, Tenure, Removal and Vacancies.* Directors shall be elected annually at the Annual stockholders' Meeting, and shall, unless sooner removed or disqualified, hold office until others are chosen and qualified in their stead. Directors may be removed at any time with or without cause, by a vote of the stockholders holding at least two-thirds of the issued and outstanding stock, at any stockholders' meeting. Vacancies occurring the Board of Directors by reason of death, resignation, retirement, disqualification, removal from office or otherwise, and additional Directorships created by an increase in the Board, may be filled either by the stockholders or by the unanimous vote of the Directors remaining or then in office.

Section 3. *Meetings.* The Board of Directors may hold their meetings within or without the State of Delaware, as they see fit. The Annual Meeting for the election of officers and for the transaction of such business as may be deemed

desirable by the Directors present, shall be held immediately following the Annual Stockholders' Meeting. Special meetings may be called by the President at any time, and shall be called by the President or Secretary on the written request of two Directors. Such request shall state the purpose of the meeting. Stated meetings of the Board may be held at such time and place, without notice or, on such notice as the Board may from time to time prescribe.

Section 4. *Notice.* Notice of all meetings of the Directors, except stated meetings, shall be mailed to each Director at his address appearing on the books of the corporation, at least two (2) days before the date of the meeting. Such notice may be given personally, or by telephone, or telegraph, in which case, one (1) days' notice shall be sufficient. No notice shall be required of meetings at which every Director shall be personally present; or of which notice has been waived by those absent either before or after the meeting.

Section 5. *Quorum and Voting.* At all meetings of the Board of Directors, a majority of the Directors shall be

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[fol. 70] necessary and sufficient to constitute a quorum. Each Director shall be entitled to one vote. Majority vote of those present, shall govern, except where otherwise provided by laws, or by the Certificate of Incorporation, or by these By-Laws.

ARTICLE V.

Officers

Section 1. *Titles, Qualifications and Terms of Office.* The Executive Officers of the corporation shall be President, one or more Vice Presidents and one or more Assistant Vice Presidents as the Board of Directors may from time to time determine; Secretary, Treasurer, Comptroller, and such number of Assistant Treasurers, Assistant Secretaries and Assistant Comptrollers as the Board may from time to time determine. The President must be a Director of the corporation. The same person may hold any two

offices, except the offices of the President and Vice President, Secretary and Assistant Secretary, or Treasurer and Assistant Treasurer. Each of the officers of the corporation shall hold office until the annual meeting of the Board of Directors next succeeding his election or until his sooner resignation or removal by the Board of Directors as provided in Section 10 of this Article.

Section 2. *Other Officers. Delegation.* The Board may appoint such other officers and agents as it may deem necessary, who shall have such title and authority, and perform such duties as from time to time may be prescribed by the Board. The Board may also, in the absence of any officer, or for any reason that it may deem sufficient, delegate the powers and duties of any officer to any other officer, or to any director.

Section 3. *President.* In addition to the duties herein elsewhere specified, the President shall be the chief executive officer and head of the corporation. He shall, subject to the control and supervision of the Board of Directors, have the general supervision, management and control of the business, property, and affairs of the corporation. He shall preside at all meetings of the Stockholders and Directors, at which he may be present.

Section 4. *Vice-Presidents.* In addition to the duties herein elsewhere specified, the Vice-President or Vice-presidents shall be vested with all the powers and shall perform the duties of the President in his absence or disability, and such other duties as may be assigned to him or them by the Board.

Section 4a. *Assistant Vice Presidents.* The Assistant Vice Presidents, if and when elected, shall have and perform the same duties as the Vice President, subject, however, to the discretion of the latter, and subject always to the orders of the Board.

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[fol. 71] **Section 5. *Secretary.*** In addition to the duties herein elsewhere specified, the Secretary shall keep the minutes of all meetings of the Stockholders and of the

Board of Directors. He shall be the custodian of the Corporate Seal and of the Stock-Books and records of the corporation. He shall prepare and file the stock list required by Section 7 of Article III of these By-Laws. He shall, when authorized, affix the corporate seal to instruments requiring the same and attest the same by his signature. He shall be sworn to the faithful discharge of his duties.

Section 6. *Assistant-Secretary.* The Assistant Secretary, if, and when elected, shall have and perform the same duties as the Secretary, subject, however, to the discretion of the latter, and subject always to the orders of the Board.

Section 7. *Treasurer.* In addition to the duties herein elsewhere specified, the Treasurer shall have the custody of all the corporate funds and securities, and shall keep full and accurate account of receipts and disbursements in books belonging to the corporation. He shall deposit all money in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall pay out the funds of the corporation as may be ordered by the Board of Directors and by the proper officers of the corporation, taking proper vouchers for such disbursements. He shall render a report and account of all of his transactions, and of the financial condition of the corporation whenever so required by the President or Board of Directors. He shall, if required, give bond in such form and amount as the Board may require.

Section 8. *Assistant Treasurer.* The Assistant Treasurer, if and when elected, shall have and perform the duties as the Treasurer, subject, however, to the direction of the latter, and subject always to the orders of the Board.

Section 8a. *Comptroller.* The Comptroller shall have general control, charge and supervision of the accounts of the corporation and all branches thereof. He shall see that the corporation's subsidiaries keep proper accounts, and that all accounts (including those of subsidiaries) are properly audited from time to time.

Section 8b. *Assistant Comptroller.* The Assistant Comptroller, if and when elected, shall have and perform the same duties as the Comptroller, subject, however, to the direc-

tion of the latter, and subject always to the orders of the Board.

Section 9. *Vacancies.* If any office becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the Directors may choose a successor or successors, who shall hold office for the unexpired term in respect of which such vacancy occurs.

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[fol. 72] Section 10. *Removals.* Any officer or agent of the corporation may be removed at pleasure by a vote of not less than a majority of the entire Board of Directors at any meeting. The President, Vice President, or other officer may, at any time, remove from office, any subordinate officer or agent whom he has appointed.

Section 11. The President or any Vice President and the Secretary or any Assistant Secretary shall be authorized and empowered in the name and as the act and deed of the corporation to name and appoint general and special agents, representatives and attorneys to represent the corporation in the United States or in any foreign country or countries, and to prescribe, limit and define the powers and duties of such agents, representatives and attorneys, and to make substitution, revocation or cancellation in whole or in part of any power or authority conferred on any such agent, representative or attorney. All powers of Attorney or other instruments under which such agents, representatives or attorneys shall be so named and appointed, shall be signed and executed by the President or any Vice-President, and by the Secretary or any Assistant Secretary, and the corporate seal shall be affixed thereto. Any substitution, revocation or cancellation shall be signed in like manner, provided always that any agent, representative or attorney when so authorized by the instrument appointing him may substitute or delegate his powers in whole or in part and revoke and cancel such substitutions or delegations. No special authorization by the Board of Directors shall be necessary in connection with the foregoing, but this By-Law shall be deemed to constitute full

and complete authority to the officers above designated to do all the acts and things above referred to, and any and all such further acts and things as they may deem necessary or incidental thereto or in connection therewith.

ARTICLE VI.

Capital Stock

Section 1. *Amount.* The capital stock of the corporation shall be one hundred thousand (100,000) shares without par value.

Section 2. *Certificates.* Stock certificates shall be in such form as may be approved by the Board of Directors. They shall be signed by the President, or any Vice-President, and by either the Treasurer or any Assistant Treasurer, or by the Secretary or any Assistant Secretary, and shall bear the corporate seal.

Section 3. *Transfers.* Stock shall be transferable only on the books of the corporation by the person named in the Certificate, or by his legal representatives or attorney thereto, lawfully authorized in writing, and upon surrender of such certificate, accompanied by all transfer stamps required by law. Unless otherwise expressly provided by the laws of Delaware, the corporation shall be entitled to treat

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[fol. 73] the registered holder of any share as the absolute owner thereof, for all purposes whether or not it have express or other notice of any equitable or other interest or claim therein.

Section 4. *Closing of Books.* The Board of Directors may close the transfer books in their discretion for a period not exceeding twenty (20) days preceding any annual or special meeting of the stockholders, or the date appointed for the payment of any dividend.

Section 5. *Lost Certificates.* The Board of Directors may direct the issue of new certificates on such terms not in contravention of statute, as they may see fit, to replace any certificates lost or destroyed.

ARTICLE VII.

Signatures.

Section 1. *Signatures.* Except as may be otherwise authorized by the Board of Directors from time to time, all deeds, mortgages, contracts and other agreements of the corporation, and all notes, checks, drafts, bills or orders for the payment of money and any and all other written obligations of the corporation, shall be signed by any two of the executive officers of the corporation, provided, however, that any one of such officers may endorse for deposit or collection, and provided also, that the signature of any executive officer, attesting the corporate seal to any instrument shall be deemed one of the two required signatures within the meaning of this Section.

ARTICLE VIII.

Amendments.

Section 1. *By Stockholders.* The stockholders by the affirmative vote of a majority of the stock issued and outstanding, may, at any regular or at any special meeting, alter or amend these By-Laws, if notice thereof be contained in the notice of the meeting.

Section 2. *By Directors.* The Board of Directors, by the affirmative vote of a majority of its members, may alter or amend these By-Laws, provided that By-Laws so made or amended may be altered or repealed by the Directors or Stockholders.

Minutes of the first meeting of the Board of Directors of Pan American-Grace Airways, Inc., held at 25 Broad Street, New York City, on the 21st day of February, 1929 at 11 A.M.

PRESENT:

Messrs. J. T. Trippe
Richard F. Hoyt
R. H. Patchin
William F. Cogswell

being all of the Board.

Mr. Trippe called the meeting to order and on motion duly made and seconded, was appointed Chairman of the meeting. On motion duly made and seconded, Mr. Cogswell was appointed Secretary of the meeting.

The minutes of the first meeting of the Incorporators of this Corporation, held January 25, 1929, and the minutes of the second meeting of the Incorporators of this Corporation, held February 21st, 1929, were read and approved.

On motion duly made and seconded, the following resolutions were duly adopted:

RESOLVED that the By-Laws which were adopted at the first meeting of the Incorporators be, and the same hereby are, approved and adopted as the By-Laws of this Corporation.

RESOLVED that the seal, an impression of which is affixed in the margin hereof, be, and the same hereby is, adopted as the seal of this Corporation.

RESOLVED that the form of stock certificate presented at this meeting, be, and it hereby is, approved and adopted as the stock certificate for the capital stock of this Corporation, and that a specimen thereof be inserted in the Minute Book of this Corporation following the minutes of this meeting.

RESOLVED that the Treasurer or other officers of [fol. 75] this Corporation be, and they hereby are, authorized and directed to pay from the corporate funds the expenses incident to the organization of this Corporation.

Nominations for officers of the corporation for the term ending with the next annual stockholders' meeting were called for, and nominations having been made and ballot having been duly had, the following persons were unanimously elected to the offices set before their respective names:

Vice-President.....	J. T. Trippe
Vice-President.....	R. H. Patchin
Treasurer.....	P. H. Caine
Secretary.....	William F. Cogswell

The Chairman stated that W. R. GRACE & CO. and the AVIATION CORPORATION OF THE AMERICAS had each offered to purchase at par for cash one-half of the authorized capital stock of PAN AMERICAN GRACE AIRWAYS, INC., if, as and when issued.

On motion duly made and seconded, it was unanimously

RESOLVED that the subscriptions of W. R. Grace & Co. and Aviation Corporation of the Americas to purchase one-half each of the capital stock of this Corporation at par of One Hundred Dollars (\$100) per share be, and they hereby are, accepted, and that the Secretary be, and he hereby is, directed to call all of the said subscriptions for payment at once.

RESOLVED that the officers of this Corporation be, and they hereby are, authorized and directed to issue Five Thousand (5,000) shares of the capital stock of this Corporation to W. R. Grace & Co. and Five Thousand (5,000) shares of the capital stock of this Corporation to the Aviation Corporation of the Americas, and to deliver to the same duly executed certificates for the said shares in exchange [fol. 76] for the payment of subscriptions, as above.

On motion duly made and seconded, it was unanimously

RESOLVED that GRACE NATIONAL BANK OF NEW YORK be and hereby is designated as a depository of the funds of this Corporation; and further

RESOLVED that any two of the following officers, viz: President, any Vice-President, Secretary, and/or Treasurer, be and they hereby are authorized from time to time, for and on behalf of this Corporation, to sign checks, drafts or orders for the payment or withdrawal of funds of this Corporation; and further

RESOLVED that said Bank be and hereby is authorized to pay any and all said checks, drafts or orders drawn on the account of this Corporation with said Bank and signed as above provided, including such as may be drawn to the order or endorsed in favor of the officer signing and/or endorsing the same; and further

RESOLVED that the Secretary of this Corporation be and hereby is authorized and directed to certify to said Bank under the seal of this Corporation, a copy of these resolutions and to certify, from time to time, to said Bank the names, and to deliver to said Bank the specimen signatures of the persons at the time of such certification holding the respective offices hereinabove mentioned; and further

RESOLVED that until said Bank shall receive a certificate under the seal of this Corporation as to the expiration or termination of office of any person so certified to be an officer of this Corporation, said Bank may rely absolutely upon the authority of such person to sign as such officer as herein provided; and further

RESOLVED that these resolutions shall continue in force until formally rescinded and written notice of such rescission filed with said Bank.

[fol. 77] **RESOLVED** that Messrs. W. F. Cogswell, R. F. Hoyt, R. H. Patchin and J. T. Trippe, Directors of this Corporation, be and each of them is hereby severally authorized, empowered and directed, as agent for this Corporation, or any one of them acting alone, in the name and on behalf of this Corporation, and under its corporate seal or otherwise, to make, sign, execute, acknowledge, to affix the seal of this Corporation to, and to deliver to the official or officials of the Post Office Department of the United States Government authorized to receive the same, a bid or proposal for the transportation of United States mail by air, for a term of ten years, from April 1, 1929, or such subsequent date as may be ordered by the Postmaster General, on the route from Cristobal, Canal Zone, by Buenaventura and Tumaco, Colombia, Esmeraldas and Guayaquil, Ecuador, Talara, Trujillo, Lima, Lomas and Mollendo, Perú, Arica, Iquique, Antofagasta, Caldera and Coquimbo, to Santiago, Chile, and return in accordance with an existing advertisement for bids or proposals for the transportation of United States mail over such route, at such rate as such agents, or any one of them, may determine, and that each of said agents, or any one of them acting alone, be and he hereby is authorized, empowered and directed, to deposit with such bid or proposal such bonds or other security as may be required and to do all such acts and things, and to execute any and all such instruments and documents as he may deem necessary, or advisable in connection with said bid or proposal, and the submission of same, and to affix the seal of the corporation to any such instrument as may be required, and that each of said agents, or any one of them acting alone, or the Secretary of this Corporation, be and he hereby is authorized, empowered and directed, to attest the seal of the Corporation so affixed to any such instrument; and

RESOLVED FURTHER that the proper officer or officers of this Corporation be and they hereby are authorized, empowered and directed to procure for

submission with the aforesaid bid or proposal such surety bond or other security as may be required; and

[fol 78] On motion duly made and seconded, it was unanimously:

RESOLVED that THE COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK be and hereby is designated as a depository of the funds of this Corporation; and further

RESOLVED that any two of the following officers, viz: President, any Vice-President, Secretary, and or Treasurer, be and they hereby are authorized from time to time, for and on behalf of this Corporation, to sign checks, drafts or orders for the payment or withdrawal of funds of this Corporation; and further

RESOLVED that said Bank be and hereby is authorized to pay any and all said checks, drafts or orders drawn on the account of this Corporation with said Bank and signed as above provided, including such as may be drawn to the order or endorsed in favor of the officer signing and or endorsing the same; and further

RESOLVED that the Secretary of this Corporation be and hereby is authorized and directed to certify to said Bank under the seal of this Corporation, a copy of these resolutions and to certify, from time to time, to said Bank the names, and to deliver to said Bank the specimen signatures of the persons at the time of such certification holding the respective offices hereinabove mentioned; and further

RESOLVED that until said Bank shall receive a certificate under the seal of this Corporation as to the expiration or termination of office of any person so certified to be an officer of this Corporation, said Bank may rely absolutely upon the authority of such person to sign as such officer as herein provided; and further

RESOLVED that these resolutions shall continue in force until formally rescinded and written notice of such rescission filed with said Bank.

On motion duly made and seconded, the following resolution was adopted:

[fol. 79] RESOLVED FURTHER that in the event a contract for the transportation of mail by air is awarded to this Corporation upon the aforesaid bid or proposal, each of said agents, or any one of them acting alone, be and he hereby is authorized, empowered and directed to execute, sign and deliver, in the name and on behalf of this Corporation, and under its corporate seal, or otherwise, the formal contract prescribed by the Postmaster General or the Post Office Department of the United States Government, and to deposit with the United States Government such surety bond or other security as may be required to secure the performance of such contract.

On motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, this Corporation heretofore authorized the submission to the Post Office Department of the United States Government of a bid or proposal for carrying mail on Air Mail Route from Cristobal, Canal Zone, by Buenaventura and Tumaco, Colombia, Esmeraldas and Guayaquil, Ecuador, Talara, Trujillo, Lima, Lomas and Mollendo, Peru, Arica, Iquique, Antofagasta, Caldera and Coquimbo, to Santiago, Chile, and return; and

WHEREAS, this Corporation has authorized the deposit with such bid or proposal of such bond or other security as may be required as security for the performance by this Corporation of all of the conditions and stipulations in said bid or proposal; and

WHEREAS, this Corporation intends to deposit with W. Irving Glover, the Second Assistant Postmaster

General, certain bonds notes in the principal sum of \$25,000 as security for the performance by this Corporation of all of the conditions and stipulations in the aforementioned bid or proposal; and

WHEREAS, it is desired to appoint the proper bond approving officer representing the United States Government, and his successors in office, as attorney for this Corporation, for and in the name of this Corporation, to collect or to sell, assign and transfer such bonds notes in case of any default in the performance of any of the conditions and stipulations of the aforementioned bid,

RESOLVED that W. Irving Glover, Second Assistant Postmaster General, and his successors in office, be and each of them is hereby constituted and appointed attorney for this Corporation for and in the name of this Corporation to collect or to sell, assign, and transfer said bonds notes aggregating \$25,000 to be deposited with the said United States Government as security for the faithful performance of any and all of the conditions or stipulations of the aforementioned obligation, and that this Corporation agree, and it does hereby agree, that in case of any default in the performance of any of the conditions and stipulations of said undertaking, its said attorney shall have full power to collect said bonds/notes or any part thereof, or to sell, assign and transfer said bonds/notes or any part thereof, without notice at public or private sale, free from any equity of redemption and without appraisement or valuation, notice and right of redemption being waived, and to apply the proceeds of such sale or collection, in whole or in part, to the satisfaction of any damages, demands or deficiency arising by reason of such default, as its said attorney may deem best. And this Corporation for itself, its successors and assigns, ratifies and confirms whatever its said attorney shall do by virtue of the aforementioned powers; and

RESOLVED FURTHER that Messrs. W. F. Cogswell, R. F. Hoyt, R. H. Patchin and J. T. Trippe, Directors

of this Corporation, be and each of them hereby is authorized, empowered and directed, as agent, any one of them acting alone, to execute and deliver, in the name and on behalf of this Corporation, and under its corporate seal, one or more powers of attorney and agreements embodying all the powers, terms and provisions set forth in the foregoing resolution, and that Mr. W. F. Cogswell, the Secretary of this Corporation, be and he hereby is authorized, empowered and directed to affix the seal of this Corporation to such one or more powers of attorney and agreements and to attest the same.

[fol. 81] On motion duly made and seconded, it was unanimously

RESOLVED that the officers of this Corporation be and they hereby are authorized to purchase and pay for \$35,000 in par value Liberty Bonds.

On Motion duly made and seconded, it was unanimously

RESOLVED that the officers of this Corporation be and they hereby are authorized to purchase and pay over at par for cash all of the outstanding stock of Peruvian Airways Corporation and Chilean Airways Corporation.

There being no further business, the meeting adjourned.

/s/ J. T. Trippe
Chairman of the Meeting

/s/ W. F. Cogswell
Secretary of the Meeting

[fol. 82]

GOVERNMENT'S EXHIBIT 30

February 28, 1929.

Pan Am
GraceThe Honorable,
The Postmaster General,
Washington, D. C.

Sir:

Pan American-Grace Airways, Inc., a Delaware Corporation, was organized to operate an air transport service between Cristobal, C.Z., via the West Coast of South America, to Santiago, Chile, Buenos Aires, Argentina, and Montevideo, Uruguay.

The Company is jointly owned by Aviation Corporation of the Americas, a Delaware Corporation, which also holds all the capital stock of Pan-American Airways, Inc., and W.R. Grace & Co., a Connecticut Corporation, which also holds the capital stock of the Grace Steamship Company, the Panama Mail Steamship Company as well as other Grace transportation, commercial and industrial enterprises throughout the West Coast of South America.

Pan American-Grace Airways, Inc., owns the entire capital stock of the Peruvian Airways Corporation and of the Chilean Airways Corporation. Its authorized capital stock is \$1,000,000 divided into 10,000 shares of \$100 par value. Statement of our bankers is attached herewith (a). The capital structure of Pan American-Grace Airways, Inc., has been limited to 10,000 shares to reduce qualification

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[fol. 83] and similar foreign taxes—additional funds as required being advanced through loans as is the case with

Pan American Airways, Inc. The resources and reputation of Aviation Corporation of the Americas and W. R. Grace & Co., joint owners of Pan American-Grace Airways, Inc., vouch for the fact that a type of air transport service will be rendered between the Canal Zone and Argentina commensurate with the dignity of the United States in this territory.

The rapidly expanding net of foreign subsidized air transport enterprises in South America (b), nearly two years ago led Pan American Airways, Inc. to carefully survey the investment requirements and estimated operating results of a service between the Canal Zone, Chile, and Argentina.

The attitude of the Administration, as evinced by your desire as Postmaster General to see American Air Transport service established on the West Coast at the earliest opportunity strengthened the decision to proceed. Published statements of the Presidents and other members of his Cabinet and the appointment of the Inter-Departmental Committee to further this general program, confirmed the Government's position.

The results of its operation of the first American international air mail and passenger route between Florida and Cuba, as well as the results of its West Coast survey indicated to Pan American Airways that conditions did not

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[fol. 84] justify its installing air transport service in this distant territory even with a possible additional revenue of a United States air mail contract netting \$2 per flying mile. (This rate being considerably lower than that received by subsidized foreign companies operating in this territory. (c))

The air transport operations between the United States and Cuba had developed heavy direct expenses not encountered in domestic service. Among other items may be mentioned:

- (a) Clearance expenses aggregating 36 cents per flying mile.

- (b) Airway construction and maintenance, including airports, intermediate fields, radio aids, night lighting, etc.—facilities usually provided by the Federal or municipal governments in the domestic service—approximating on a three round trips per week schedule, over 50 cents per mile.
- (c) Costs of maintaining adequate representatives in foreign countries, expenses of maintaining local national companies and increased costs of transporting and maintaining efficient American flying and ground personnel.
- (d) High duties and delays in importing technical material, plus the always present increased cost of conducting a public utility in foreign countries.

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[fol. 85] W. R. Grace & Co. also began investigating the possibility of installing air service along the West Coast of South America, the territory covered by its existing steamship and rail service and other commercial enterprises.

By merging their interests in Pan American Grace Airways, Inc., Pan American and Grace came to the conclusion that they could operate on the West Coast of South America more economically than could any other air transport company, including the French and German companies.

All the facilities of the Grace organizations' sixty or more branch houses—their personnel, their radio-equipped steamships plying along the coasts, the marine equipment at all ports, the traffic organization and the widespread commercial contacts—are available to the continued development of our enterprise.

Pan American and Grace interests, with the support of the Department of State, together proceeded to attack the many obstacles in the path of extending an American Air Transport Service along the West Coast to Valparaiso and over the Andes to Buenos Aires and Montevideo.

Qualified representatives were assigned to the countries concerned and in addition, to Venezuela and Brazil. French

air transport interests were active in Argentina, Chile, and Peru. German interests were already well entrenched in Colombia, Ecuador, Peru, Bolivia, and Argentina. Efforts
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[fol. 86] were therefore directed—

- (a) To prevent the securing of additional monopolistic concessions pending at many points on the part of these foreign interests.
- (b) In securing adequate operating rights and legal standing and where possible international mail contract in all these countries.

In carrying out this plan, initiated eighteen months ago, and developed at very considerable expense, we believe we have been entirely successful.

We have arranged for service between Cristobal, C.Z., and Guayaquil, Ecuador, through sub-contract to Pan American Airways, Inc., our affiliated company, which already holds foreign mail contracts with your Department in the Caribbean, in Mexico, and along the North Coast of South America.

Pan American Airways, as the result of many months efforts, is qualified and bonded to operate in the Canal Zone under the executive orders dated September 28, 1928, and February 18, 1929. (e)

In Panama, Pan American Airways holds adequate operating rights. The company already operates into David and Panama City, important points in the Republic. A long term exclusive mail contract is now pending and about to be executed.

For over two years, Pan American Airways has been attempting to secure operating permits from the Colombian Government. In this connection conferences have been had with executives of the SCADTA, the German controlled

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[fol. 87] Colombian Air Transport Company, over a period of years, in New York, in Berlin and Colombia. Through these conferences, an agreement was finally reached with SCADTA whereby Pan American Airways enjoys the exclusive use of SCADTA's technical facilities on the coast of Colombia. These facilities built over a period of years at a cost of over a quarter of a million of dollars are essential to the early operation of the dangerous section of this route owing to the prevalent fog and extreme tide conditions. (f) and (g) It is expected that Pan American-Grace Airways will have acquired proper facilities equal to those now owned by SCADTA at the points of call between the Canal Zone and Ecuador, a distance of 900 miles, would require at least eight months.

Through our 100% owned subsidiary, Peruvian Airways Corporation, we have secured in the face of strenuous German competition in Peru and Ecuador over a period of many months, broad operating permits and an exclusive international air-mail contract. (h) Operations were inaugurated in September, 1928. Regular transport and air mail service is now maintained between Guayaquil, Ecuador, and Mollendo, Peru, near the Chilean frontier, a distance of 1,490 miles, and over 62% of the entire distance between Cristobal and Mollendo.

In Chile, through a 100% owned subsidiary Chilean Airways Corporation, we have for many months been negotiating for adequate operating rights and legal standing. The French Air Transport Company, the Aeropostale, already holds broad concessions and mail contracts to the east and to Europe, which they were attempting to extend northward

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[fol. 88] through Peru and Ecuador to the Panama Canal. (i) The American Ambassador has been advised by the Chilean Government that permission, including the temporary use of Chilean military airports, would be formally granted this week to Chilean Airways Corporation, permitting the prompt extension of our through service to Santiago. (j)

With reference to the Postmaster General's option to require extension of this service to Argentina, we are

negotiating with the Argentine Government for an adequate concession. An Assistant Vice-President of Pan American Airways, Inc., J.D. Sommers, is in Buenos Aires where he is assisted by distinguished Argentine counsel. They report negotiations progressing favorably.

SUMMARY

Summarizing, our present position and existing service we would point out that:

1. We are now operating 62% of the entire route between the Canal Zone and Molleno, Peru, carrying passengers and international mail under exclusive contract.

2. We are in a position, now that obstacles at Colombia have been removed and airway facilities assured, to promptly operate the intermediate section between the Canal Zone and Guayaquil as well as to extend to Santiago.

3. Foreign countries operating in this territory are receiving a direct subsidy in excess of \$2.10 per mile, exclusive of air mail revenues. (k) Pan American-Grace Airways, Inc., and subsidiary operating com-

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[fol. 89] panics, is now operating at a heavy loss. To develop and furnish the type of transport service in the international field maintained by its affiliated company, Pan American Airways, Inc., the additional revenue from the transportation of American mail is essential without the cooperation of the Grace organization, along the route, and the benefit of the experience and engineering assistance of Pan American Airways, Inc., including the services of Colonel Charles A. Lindbergh, Technical Adviser—all available to Pan American-Grace Airways, Inc.—we maintain that no American Air Transport Company could economically survive in this territory. Furthermore, Pan American-Grace Airways, Inc., is in actual operation and we maintain that no other company, with the exception of the

Aeropostale, the French National Air Transport monopoly, that might consider bidding under your advertisement for air mail service on the West Coast, is in a position to attempt to render air mail service on this route during the year 1929.

The Governor of the Canal Zone, and American Embassies and Consulates in the countries concerned are thoroughly familiar with the position of our company and its operations. We believe they will be glad to

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[fol. 90] substantiate, through the Department of State, the statement set forth herein.

Respectfully submitted.

PAN AMERICAN-GRACE AIRWAYS, INC.

By _____
Agent and Director.

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GOVERNMENT'S EXHIBIT 31

A special meeting of the Board of Directors of PAN AMERICAN-GRACE AIRWAYS, INC. was held at the office of the Pan American Airways, Inc., No. 122 East 42nd Street, New York City, N.Y. on the 29th day of March, 1929 at 12:00 o'clock noon.

PRESENT: Messrs. R. F. Hoyt
J. T. Trippe
R. H. Patchin
William F. Cogswell

being all of the Board.

Mr. Trippe called the meeting to order and on motion duly made and seconded was appointed Chairman of the meeting. Mr. Cogswell, Secretary of the Corporation, acted as Secretary of the meeting.

The minutes of the first meeting of the Board of Directors, held on the 21st day of February, 1929, and of a special meeting of the Board of Directors, held on the 2nd day of March, 1929, were read and approved.

On motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that the proper officers of this Corporation are hereby authorized to enter into an agreement in the name and on behalf of this Corporation with Pan American Airways, Inc. for the subletting to Pan American Airways, Inc. of service on so much of Foreign Airmail Route No. 9 as extends from Cristóbal, Canal Zone, to Guayaquil, Ecuador, or at the option of this Corporation to Talara, Peru.

FURTHER RESOLVED that compensation for such service shall be at the rate of One Dollar Eighty Cents (\$1.80) per mile each way, plus the rate of Ninety Cents (\$.90) per pound per one thousand miles, or pro rata thereof, for greater or less mileage for any excess [fol. 92] mails required to be carried in the same aircraft, payment to be made as and when received by this Corporation from the Post Office Department.

FURTHER RESOLVED that said agreement shall extend for a period of one year with an option by this Corporation to cancel it at any time on sixty days' notice.

On motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that this Corporation purchase at face value, plus interest, from W. R. Grace & Co. and Aviation Corporation of the Americas the promissory notes of Peruvian Airways Corporation, and that this Corporation thereupon cancel said notes and carry the amount thereof as an indebtedness on open account with that corporation.

The Chairman stated to the meeting that Pan American Airways, Inc. had committed itself for the purchase of

three Sikorsky Amphibians with the idea of using them on the northern part of Foreign Airmail Route No. 9 under a subletting agreement with this Corporation. He also stated that this Corporation should be responsible for the purchase of the three Sikorsky Amphibians just mentioned. Thereupon, on motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that this Corporation will be responsible for three Sikorsky Amphibians ordered by Pan American Airways, Inc. in anticipation of performing service over the northern part of said route.

FURTHER RESOLVED that if Pan American Airways, Inc. should use three Sikorsky Amphibians on the northern part of F.A.M. Route No. 9, the responsibility of this Corporation will be fulfilled by purchasing said three Sikorsky Amphibians at their depreciated value.

There being no further business, the meeting adjourned.

/s/ J. T. TRIPPE
Chairman of the Meeting

/s/ W. F. COGSWELL
Secretary

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GOVERNMENT EXHIBIT 32

EXHIBIT "C-1"

PAN AMERICAN-GRACE AIRWAYS, INC.

I lunched today with Richard Hoyt. We agreed that we would authorize the employment of MacGregor as Executive Vice-President of this Company at a salary of \$18,000. per year and that we would ask him as promptly as possible to lay out an organization and plan of action.—this to be submitted to the Executive Committee for their modification or approval. I stated that I would like to have an opportunity of discussing it with him in case there was a failure on the part of our men to agree on a line of action.

I indicated that I hoped MacGregor would favor the naming of Jacob as one Vice-President and of Harris as another. We decided that MacGregor should be instructed to use the Grace organization in South America as far as he found it practicable to use it in the same way as he was to use the Pan American Airways in New York as far as he found it practicable to do so.

It was understood that he would say to Mr. Trippe and I would say to Mr. Patchin that it was to be understood that MacGregor was to run this business in the same way as Trippe was running the Pan American Airways, that he was to report to his Executive Committee but that all actual administrative business responsibility should be placed directly on MacGregor's shoulders and that he should be given all the prerogatives necessary to the successful carrying of this responsibility.

D.S.I.

April 3, 1929.

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[fol. 95] A special meeting of the Board of Directors of PAN AMERICAN-GRACE AIRWAYS, INC. was held at the office of the Pan American Airways, Inc., No. 122 East 42nd Street, New York City, N.Y., on the 8th day of April, 1929 at 5:00 o'clock P.M.

PRESENT: Messrs. R. F. Hoyt

J. T. Trippe

R. H. Patchin

William F. Cogswell

being all of the Board.

Mr. Trippe called the meeting to order and on motion duly made and seconded was appointed Chairman of the meeting. Mr. Cogswell, Secretary of the corporation, acted as Secretary of the meeting.

The minutes of a special meeting of the Board of Directors, held on the 29th day of March, 1929, were read and approved.

On motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that the By Laws of this Corporation be and they hereby are amended in the following respects: The first sentence of Section 1 of Article V shall hereafter read—"The Executive Officers of the Corporation shall be President, one or more Vice Presidents and one or more Assistant Vice Presidents, as the Board of Directors may from time to time determine, Secretary, Treasurer, and such number of Assistant Treasurers and Assistant Secretaries as the Board may from time to time determine".

There shall be inserted a new section to be numbered "4a" of Article V which shall read—"Assistant Vice Presidents—The Assistant Vice Presidents, if and when elected, shall have and perform the same duties as the [fol. 96] Vice President, subject, however, to the discretion of the latter, and subject always to the orders of the Board."

Mr. J. D. MacGregor was nominated as Vice President and General Manager and was unanimously elected. On motion duly made and seconded, it was

RESOLVED that Mr. J. D. MacGregor's salary shall be at the rate of Eighteen Thousand Dollars (\$18,000) per year, commencing April 9th, 1929.

Mr. Harold R. Harris was nominated as Vice President and was unanimously elected. The Secretary stated to the meeting that Mr. Harris's salary as Vice President of Peruvian Airways Corporation was at the rate of Nine Thousand Six Hundred Dollars (\$9600) per year. On motion duly made and seconded, it was unanimously

RESOLVED that Mr. Harris's salary from this Corporation and its subsidiaries shall be at the rate of \$12,000 per year, commencing April 9th, 1929.

FURTHER RESOLVED that so long as Mr. Harris is being paid his salary at the rate of \$9600 per year by Peruvian Airways Corporation, his salary from

this Corporation shall be at the rate of \$2400 per year, commencing April 9th, 1929.

Mr. Walter P. Jacob was nominated as Assistant Vice President and was unanimously elected. On motion duly made and seconded, the following resolution was adopted:

RESOLVED that Mr. Jacob's salary from this Corporation shall be at the rate of \$8500 per year, commencing April 9th, 1929.

[fol. 97] On motion duly made and seconded, it was unanimously

RESOLVED that GRACE NATIONAL BANK OF NEW YORK be and hereby is designated as a depository of the funds of this Corporation; and further

RESOLVED that any two of the following officers, viz: President, any Vice-President, any Assistant Vice President, Secretary, Treasurer, and/or Comptroller, be and they hereby are authorized from time to time, for and on behalf of this Corporation, to sign checks, drafts or orders for the payment or withdrawal of funds of this Corporation; and further

RESOLVED that said Bank be and hereby is authorized to pay any and all said checks, drafts or orders drawn on the account of this Corporation with said Bank and signed as above provided, including such as may be drawn to the order or endorsed in favor of the officer signing and/or endorsing the same; and further

RESOLVED that the Secretary of this Corporation be and hereby is authorized and directed to certify to said Bank under the seal of this Corporation, a copy of these resolutions and to certify, from time to time, to said Bank the names, and to deliver to said Bank the specimen signatures of the persons at the time of such certification holding the respective offices hereinabove mentioned; and further.

RESOLVED that until said bank shall receive a certificate under the seal of this Corporation as to the

expiration or termination of office of any person so certified to be an officer of this Corporation, said Bank may rely absolutely upon the authority of such person to sign as such officer as herein provided; and further

RESOLVED that these resolutions shall continue in force until formally rescinded and written notice of such rescission filed with said Bank.

[fol. 98] On motion duly made and seconded, it was unanimously

RESOLVED that THE COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK be and hereby is designated as a depository of the funds of this Corporation; and further

RESOLVED that any two of the following officers, viz: President, any Vice President, and Assistant Vice President, Secretary, Treasurer, and/or Comptroller, be and they hereby are authorized from time to time, for and on behalf of this Corporation, to sign checks, drafts or orders for the payment or withdrawal of funds of this Corporation; and further

RESOLVED that said Bank be and hereby is authorized to pay any and all said checks, drafts or orders drawn on the account of this Corporation with said Bank and signed as above provided, including such as may be drawn to the order or endorsed in favor of the officer signing and/or endorsing the same; and further

RESOLVED that the Secretary of this Corporation be and hereby is authorized and directed to certify to said Bank under the seal of this Corporation, a copy of these resolutions and to certify, from time to time, to said Bank the names, and to deliver to said Bank the specimen signatures of the persons at the time of such certification holding the respective offices hereinabove mentioned; and further

RESOLVED that until said Bank shall receive a certificate under the seal of this Corporation as to the

* expiration or termination of office of any person so certified to be an officer of this Corporation, said Bank may rely absolutely upon the authority of such person to sign as such officer as herein provided; and further **RESOLVED** that these resolutions shall continue in force until formally rescinded and written notice of such rescission filed with said Bank.

[fol. 99] There being no further business, the meeting adjourned.

/s/ J. T. THORPE
Chairman of the Meeting

/s/ W. F. COGSWELL
Secretary

[fol. 100]

GOVERNMENT'S EXHIBIT 33

W. R. Grace & Co.
New York

April 19, 1929.

MEMO. TO:

Mr. J. D. MacGregor.

Referring to your recommendations for Pan American-Grace Airways Inc. forwarded with your letter of April 16th to me, I think we ought to have before our Board meeting as much of an estimate as you can give of the cost of flying and ground equipment and the cost of operations.

This company has a capital of \$1,000,000, which was estimated to be sufficient to equip it in every respect to carry out the contract. No provision has been made for increased capital, therefore, the operations and plant must be laid out within the limits of the present capital. We do not wish to increase the capital or to carry on an expansion as rapid as that of Pan American Airways.

Mr. Jacob prepared an estimate of investment in working capital which was the basis of the capitalization of the company at \$1,000,000, and I think this should be adhered to in all plans and, of course, no commitment taken in excess thereof without approval by the Board.

With reference to your detailed recommendation, as previously stated I think that the New York office should be the head office and that it should be adequately staffed.

As you and Mr. Jacob are shortly to be absent at the same time I understand it is your idea that the controller should be in charge of the office.

I note that you recommend that the accounting to be GR-81

10-26-54

G006652

RLA

[fol. 101] handled in the several sections by W. R. Grace & Co. be under the general supervision of a chief accountant and traffic manager located at the Canal Zone. If this means that the different sections are to forward their accounts to be consolidated at the Panama Canal I think a good deal of motion will be wasted and that it would be far better, in fact, indispensable, to have the chief accountant in New York. Complete accounts cannot be made up at the Canal because there will be large expenditures for equipment and supplies at New York and all of the mail revenue will be paid to the New York office. This being the case, I think the New York office is the only place for chief accountancy because it is the only point where all of the accounting reports can be concentrated for prompt monthly consolidation so that the directors can have a continuous picture of the operating results.

The only way in which the New York office as head office can keep in control of the business is to have all the separate sections report to New York and have the accounts and expenditures controlled from New York.

Sufficient copies of accounting reports should be sent to the Vice President in charge of operations at Cristobal to enable him to do his work intelligently throughout the area which it is ultimately determined as in his jurisdiction.

W. R. Grace & Co. will be glad to assign a first class man in each section to supervise all of the accounting

and to render the reports in the form adopted and approved by the Vice President and General Manager and the Board.

GR-82

10-26-54

RLA

G006653

[fol. 102] With reference to the Canal Zone I feel that the arrangements for use of airports, repair shops and traffic facilities are desirable but as to sharing the cost or expense of a staff house I am a little doubtful. I do not think married employees care much about living in a staff house and there are sometimes difficulties.

The Board has decided that the service from Cristobal to Guayaquil should be sub-contracted to Pan American Airways only until Pan American-Grace can get rights of its own.

How long will it be before Pan American Airways contract is approved by the Congress at Panama?

My understanding is that there is now no obstacle to any American company obtaining operating rights in Colombia. I am not informed of the nature of the negotiations being carried on by Pan American Airways in Colombia or as to their duration, but I think that operating rights should be obtained by Pan American-Grace from the Colombian Government without delay. This can raise no question in the mind of the Colombian Government as between Pan American and Pan American-Grace, for the reason that Pan American does not propose to operate on the West Coast of Colombia but only on the Northern coast.

Any contract to carry Colombian mail South to Peru and other South American countries is negligible in importance for the volume is insignificant.

I assume the transfer of the West Coast landing rights from SCADTA can be readily arranged as these were obtained for the benefit of the jointly-owned Pan American-Grace company.

GR-83

10-26-54

RLA

6653A R. H. Patchin

[fol. 103]

GOVERNMENT'S EXHIBIT 34

Harbinger = 38 to
 PANAMA AGENCIES CO. CRISTOBAL 6.12.29

24.29

Ans.
 Harb. 38

1 38 of wednesday
 2 following is for H. J. Roig
 3 referring to 's letter No. 1
 4 Harris to
 5 MacGregor
 6 reference
 7 operation service
 8 canal to
 9 Guayaquil by
 10 Pan American Airways it would
 11 seem utmost importance
 12 in view of continued
 13 expansion by that
 14 company and
 15 probable shortage
 16 personnel
 17 and equipment
 18 that we take over
 19 service and have
 20 Sikorsky airplanes allocated
 21 to us at earliest possible moment
 22 sentence ends as one
 23 Sikorsky airplane in operation
 24 and one in
 25 reserve sufficient for
 26 weekly service large
 27 force should not be
 28 required sentence ends
 29 we think in principle
 30 our business
 31 must stand
 32 on its own
 33 feet and we

32 must be developing
 33 our own operating
 34 men who
 35 give us their
 36 entire time
 37 and are responsible
 38 us only
 39 sentence ends
 we feel (that)
 40 it is in the
 41 best interests of the
 42 business to handle
 43 this work
 44 out of Panama
 45 in the same way

(Mr. Cogswell)

(see page two)

G 5642

GR 126

10 26 54

[fol. 104]

(page two)

Harbinger 238 to
 PANAMA AGENCIES CO CRISTOBAL 6 12 29

Ans.
 Harb. 1

46 that Harris
 47 has handled
 48 it out of
 49 Lima sentence ends we think
 50 it most important
 51 to work out
 52 with MacGregor
 53 now a very
 54 accurate operating
 55 budget to be
 56 sure that
 57 each of the
 58 three units are to be
 59 put on a
 60 paying basis

61 from to
62 month
63 month and that
64 the men
65 in charge (of) the
66 units appreciate
67 that they have the
68 direct responsibility for
69 making their
70 unit pay
71 and that if they do not
72 do so we will
73 consider that they
74 have failed in their
75 task suggest that you
76 and MacGregor
77 indicate to the
78 head office here
79 the sense
80 in which you
81 want us (to) cable
82 Harris and
83 Jacob on this
84 point unless you
85 think it preferable to cable direct
86 sentence ends
87 due
88 Hambledon death
89 Trippe returned
90 New York sentence ends
91 as date of arrival
92 Panama uncertain
93 we will advise as soon as
94 definitely ascertained

(Mr. Cogswell)

G 5642A

[fol. 105]

GOVERNMENT'S EXHIBIT 35

harbinger 42

to PANAMA

6.13.29

24.29

- 1 42: following for Roig
- 2 we cabled MacGregor
- 3 Trippe does not want
- 4 carry passengers
- 5 while northern
- 6 route operated
- 7 by pan american airways sentence ends
- 8 while we are of opinion
- 9 it is probably
- 10 too soon to do so
- 11 nevertheless this is
- 12 additional argument
- 13 should take over
- 14 operation as soon as possible

Mr. Cogswell.

G 5638

GR-127

10 26 54

[fol. 110]

GOVERNMENT'S EXHIBIT 37.

PAN AMERICAN-GRACE AIRWAYS, INC.

2.2.A3

No. 2.

Cristobal, Canal Zone,
June 21st, 1929.

Mr. J. D. MacGregor,
Vice President & General Manager,
Pan American-Grace Airways, Inc.,
c/o W. R. Grace & Company,
Lima, Peru.

This is carbon
of original letter pre-
viously sent.

W.R.

Dear Mr. MacGregor:

This will serve as a memorandum of matters discussed with you and Mr. Harris in connection with the preparation of an operating budget for our Company.

PERSONNEL:

Mr. Harris will be in charge of operations of the entire Line with headquarters at Cristobal. The Line will be divided into three divisions:

No. 1—from the Canal Zone to Guayaquil in charge of Mr. Gillespie as Flight Superintendent.

No. 2—covering the Line in Peru in charge of Mr. Travis as Flight Superintendent.

No. 3—covering the Line in Chile and an extension to Argentine in charge of Mr. Williams as Flight Superintendent.

It is estimated that we will require three Pilots in Chile including the Flight Superintendent, three in Peru including the Flight Superintendent, and two in the Canal Zone including the Flight Superintendent. We will require six mechanics to travel with the planes, that is, one with each

Ford and one with the Sikorsky. It is, of course, understood that not all of these will be required until all of the Fords are in operation. There will also be required two or three wasp mechanics for shop overhaul work and about fifteen
10/21/54 G 926

GR-148

[fol. 111] assistant mechanics and miscellaneous laborers.

OVERHAUL SHOPS:

These are suggested at Lima, Santiago and at the Canal Zone, although at the latter point we may be able to make some arrangements to share at least some of the facilities of the Pan American Airways. It was suggested that shop buildings would cost about \$5,000, and the equipment about \$15,000, at each point. The shop building item, however, is to be omitted at least for the present and we will use space in the rear of the hangars. The item of \$15,000, for equipment is believed to be unnecessarily high and the actual cost of this item should work out substantially less. You indicated that the shop equipment required would consist of Universal metal work machinery, lathe, shaper, drill press and wasp repair equipment.

W. R. Grace & Company, as you know, controls the International Machinery Company, which has offices in Lima and Santiago, and which will be in a position to quote prices on shop equipment; and I think prices should be obtained from them as well as the Pan American Airways, and purchase made where they can be made the cheapest.

HANGARS:

These were suggested for Lima and Santiago and perhaps at one other point to be decided upon.

At the Canal Zone it is hoped that we will be able to arrange for space in the Pan American hangar.

Size of the hangar proposed is 100' by 100' by 18'. On the basis of a price which you secured from Rieter and Pincus of £575 - CIF Callao, for a hangar 55' by 75' by 18' GC-149 G927

[fol. 112] and price of \$24,000, at which the Peruvian Government was negotiating for two hangars 100' by 200', it would seem as if we should be able to arrange for these at a cost of not over \$12,000, erected. It was suggested that some saving in the original cost and maintenance might be effected by using adobe side walls. Before contracting hangars I think we should obtain competitive prices in the United States, England and Germany. W. R. Grace & Company, as you know, has the agency for Milliken Brothers, and I believe we could secure foreign prices thru our subsidiaries. The British Foreign Machinery Company, London, and Kiefer Helmké & Company, Hamburg. In case the U. S. price is practically the same as foreign prices, it should, of course, have the preference; if, however, there is a substantial difference, we should endeavor to use the less expensive equipment provided we can do so without violation of our Mail Contract.

FLYING FIELDS:

Guayaquil—It is understood that we can use the Government field by incurring a few minor expenses.

Peru—It is understood that we can use the Government fields and arrange to have them under our control by small expenditures on the fields not exceeding an average of \$500. per field. A field of 140 acres at Lima can be purchased for about \$20,000., but we are to endeavor to avoid this capital investment as long as possible.

Chile—We are to use the Government fields as long as possible, in the meantime. Mr. Hoyt, Mr. Trippe and I decided before I left New York that we would ask Mr. Metzner to quietly investigate available locations in such a way that it would not appear that either Pan American Air-GR-150 Q928

[fol. 113] ways or Grace were interested parties in order to get in hand, when needed, some suitable field near Santiago at a reasonable price. I would suggest that you discuss this with Mr. Metzner, and the same procedure incidentally might be followed with Mr. Redshaw in Lima.

PASSENGER AND SHORT STOP ACCOMMODATIONS:

At fields where short stops are made it was suggested that a Milliken portable sheet metal house, obtainable from local offices of W. R. Grace & Co., or a small thatch building each costing about \$500, be arranged. It was indicated that 10 or 15 of these would be required. They would be as small as practicable to provide minimum passenger accommodations and storage for gasoline, oil and supplies. A watchman at a salary of \$20. per month may be required at each of these places and it was suggested that he might live in the building. In that case, it may be necessary to provide outside under-ground gasoline storage and I think it will also be necessary that we find watchmen with little or no family.

At Lima and Santiago better passenger accommodations will probably be required, but here again we are to adhere to strictest economy. While it will, of course, be a short-sighted policy to have our accommodations too small, I believe it will be equally bad policy to be too far-sighted in this matter. Our passenger movement is not going to assume enormous proportions over night and we cannot afford to provide accommodations too far ahead of the trade. If we proceed on a moderate basis, I believe by the time larger passenger accommodations are required, our original facilities will be written off and we will, in the meantime, have saved interest and maintenance charges on idle

GR-151

G929

[fol. 114] capital for a period of years, and when larger passenger movement comes, we will have the income to provide better accommodations. You considered that at Guayaquil in addition to some passenger accommodations you would probably require a ramp to bring planes ashore which might cost as much as \$5,000.

MOTOR CARS:

It was stated that you would require a Ford station wagon costing about \$1200. at Guayaquil and Talara and

perhaps a car at Lima. My feeling is that we should only purchase cars where absolutely essential and then only when we have actual figures showing the comparative cost of owning cars and paying hire. As long as we have only a weekly service we are not going to have much active service for a car in most places. We will never-the-less have the constant expense of paying some one to run the car while interest and depreciation at a heavy rate will be adding materially to our operating cost.

It is my experience that when actual comparisons are made between the cost of owning a car and hiring one, it is surprising to find how often the figures strongly favor the latter course.

GENERAL:

It is understood that upon completion of this survey you and Mr. Harris will submit to the Directors a complete detailed budget showing total capital investment required for the service and an operating budget. It is likely that Mr. Vidal will be in Lima upon your return from Chile, and, if so, you will, I take it, find it convenient to avail of his assistance in preparing your actual budgets. These figures should be prepared on the ground so as to avoid
GR-152 G 930

[fol. 115] any misunderstanding between you and Harris, and in order that points of doubt, which always arise at the last moment, may be immediately straightened out. No commitments are to be made until we have this complete picture, because if we go about it piece-meal, we are not only likely to get a non-standardized miscellaneous layout, but we are very likely to spend in the aggregate much more than originally contemplated. Moreover, it will be necessary to go over the whole lay-out with Mr. Trippe before going ahead, as it was impossible to do so before you left.

We should not, therefore, start in on any program covering the matters mentioned in this letter until the Directors have the whole program before them in its entirety so that they can decide how much is to be appropriated for the entire operation.

Preliminary estimates indicate a total cost with ~~boards~~ considerably in excess of our mail revenue of \$1.80 per mile, even working along the conservative sane and sound lines which have been followed by Peruvian Airways and which we desire to adhere to on the extended routes. Unless these estimates can be very materially reduced, therefore, the Company will show a heavy loss, which I am sure will not be satisfactory for any length of time and will not make for the best results in the long run. We cannot, in my opinion, rely upon reducing this cost by considering our depreciation and crash reserve excessive. While it certainly is to be hoped that experience will show them to be excessive, there is not enough actual experience to date to enable us to rely on this with any certainty, and until we have actual experience to go by, I think we must accept the Pan American Airways' basis of depreciation and crash reserve, which we are following, as a reasonable and nec-

G 931

GR-153

[fol. 146] essary expense. This means that we can only break even by keeping down our plant investment with its inevitable fixed charges by exercising eternal vigilance in respect of unnecessary expenses, and by making the greatest possible effort to secure passengers and other local business.

This is of the greatest importance because even ten years runs off pretty quickly and we must be constantly striving to get in a position where we are not dependent on our subsidy. In other words, we should not rely on the subsidy as a permanent source of income, but rather should regard it as a temporary assistance while we are getting our business on a thoroughly sound commercial basis.

I entirely agree with the proposition that safety of our passengers and crew must always be our first consideration. This we must provide for by furnishing the best type of equipment, maintaining it at all times in the highest state of efficiency and operating it with the best personnel obtainable. Nothing I have said herein is to be interpreted as in contravention of the principle of "Safety First". Here conveniences and luxuries, however, not contributing to this

principle, we can get on without until we can pay for them out of earnings.

I have dwelt upon all of the foregoing so often that I have hesitated to repeat it here, but the subject is of such vital importance that I have ventured to do so once more, even at the risk of boring you. The thing which gives me confidence is that both you and Harris see eye to eye with me on all these fundamental considerations.

Yours very truly,

HJR/CAM

G 932

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[fol. 117]

GOVERNMENT'S EXHIBIT 38

PAN AMERICAN GRACE AIRWAYS, INC.
122 East 42nd Street, New York City

Cable Address
All Offices
"Panagra"

Mr. Cogswell
Please
return to
Mr. Roig.

LIMA,
September 3rd, 1929.

Rec'd
9/19/29

Mr. H. Roig.
C/o. W. R. Grace & Co.,
NEW YORK

Dear Mr. Roig,

I am delighted to receive the information that you have been placed on the Board of Directors of the Pan American Grace Airways, Inc., and know that the work of the Board will be very much assisted by your presence.

With regard to your letter of August 6th the following points are noted.

PERSONNEL: Gillespie has written me that he is perfectly willing to take a position with us at any time that he loses any other job which he may have. In other words he seems to think that we will hold a position open for him, but he is very much mistaken as our work must go forward. Richardson of the Mexican section of the Pan American Airways has written to me with regard to a man named Bradley who is working for him and who he recommends highly as a possible flight superintendent. I have written to Richardson suggesting that Bradley come on down at our regular pilot's salary rate so that I may look him over. As you already know, Travis has gone to Chile to take William's place.

HANGARS: With regard to Hangars I feel that it is extremely important that we have a hangar at Lima as soon as possible. As you already know we have been having considerable discussion between Richer & Pickis and Milli-

GR-64

11-5-54

D.L.A.

G018780

[fol. 118] kin Bros. bids and the question now seems to hinge on the relative life of the sheeting furnished by the two manufacturers. Richer & Pickis hangar seems to have a thickness of material more than twice that of the Millikin Bros. hangar.

I have received a quotation of approximately ten thousand dollars for the erection and installation of either hangar complete with lights, cement floor, toilet, etc. This would make the total cost in the vicinity of \$20,000.00 not including duties which we believe we will be able to avoid.

With regard to our not making any capital commitments until we have our full capital budget arranged, I agree with you in principle but feel that particularly in the case of Lima the deterioration of the airplanes which are at present standing out in the open, far outweighs the question of studying the investment analysis before purchasing a hangar.

I am very anxious to get together with Mr. MacGregor with regard to capital and operating budgets but it seems that various organization and operating questions have been so acute that it has been impossible for us to see each other.

I believe that we will be able to make a satisfactory arrangement with the Peruvian Government authorities to use the various Government fields throughout Peru for the erection of hangars or any other facilities which we may desire to instal.

With regard to Guayaquil and other Ecuadorian airports I have covered this separately in my letter to the Pan American Grace Airways Inc. #49. With regard to Buena-ventura, we are at present using a float at this point and I GR-65

G018781

[fol. 119] do not believe it is necessary to build a ramp there. However, I think it is very wise to consider the question of securing the use of the large island at Tumaco where we can build a ramp and landing field so that in case it becomes desirable we can ferry land machines through to Panama and can beach for repairs and take off or land our amphibians on the landing field at Tumaco. The securing of this island is I understand a matter which will require negotiation with the Colombian Government in Bogotá and should be undertaken at the earliest opportunity.

I am completely in accord with your statement that capital investments in aviation industry today are likely to be obsolete tomorrow on account of equipment improvements. However, there are certain fundamental considerations such as the arrangement of ramps and landing fields which it would seem cannot be dispensed with until entirely new types of aircraft are in existence and it is believed that with our present investment in our present types of flying equipment we are justified in spending a considerable amount of money in order to preserve that equipment particularly in view of the fact that no startling invention in aircraft types are at all obviously looming on the horizon, the chief points of development at present being in the shape of improved efficiency in engines and propellers.

With regard to motor cars, the Pan American Grace Airways now own one Ford touring car in Talara which has not yet been assembled from the crate. At all other points motor transportation is handled by rental arrangements.

With regard to fare tariffs, we have just been informed by Faucett that he is going to reduce his tariff rates on the GR-116.

G018782

[fol. 120] opening of his operations on September 15th. I have discussed this matter with the officers of the Grace organization here and they are unanimously of the opinion that we must meet Faucett's rates. Incidentally, Faucett has prevailed upon the Government to notify us that we should reduce our tariff. The Government has considerable power under our contract to control our tariffs and it is therefore necessary for us to take some action in this regard. Therefore we have arranged a conference with Faucett at which the entire question will be studied. He has suggested a cut of 20% on our present tariffs but I believe that I can arrange for this cut to be considerably less in most instances although we may have to reduce by this amount to a few places.

In this connection you will be pleased to know that the Ford northbound tomorrow is carrying ten paying passengers out of the thirteen seats available. We have instituted a rather intensive passenger solicitation in conjunction with the Steamer Department of the Grace office here and believe that we are securing results in this regard already. We find that the luxury, comfort and safety of the Ford planes is a very great advantage in soliciting passenger traffic. The second Ford will be flown tomorrow in Guayaquil and I understand that Mr. MacGregor is anxious to have it come immediately to Chile for the survey flight to Buenos Aires.

With best personal regards, I am,

Yours very truly,

/s/ HAROLD R. HARRIS

HRH/h:

copy to Mr. MacGregor.

GR-167

G018783

[fol. 121]

GOVERNMENT'S EXHIBIT 39

EXHIBIT "H"

AGENTS

In accordance with my instructions I very carefully investigated the possibility of the use that could be made of the various organizations of W. R. Grace & Company along our route. I am glad to be able to have the opportunity of placing on record my appreciation of the way in which I was received by all the Grace & Company officials, and the enthusiastic co-operation shown by them at all times in matters concerning our aviation activities.

In the chief centers, at Lima and Santiago, sufficient space was placed at our disposal to enable us to carry on such work as it was found necessary to do with our own employees. We were able to secure from the Grace organization men well suited for handling the business needs of our Company. Rentals were agreed to for the space occupied and we, of course, took entire charge of reimbursing the employees we secured from Grace.

The fact that we must institute a system of very complete accounting, and that other business activities require so much time to commence and finish, makes it impossible for the employees of Grace & Co. to handle this work in addition to the work they are now doing. The Grace managers themselves were the first to point this out to us after they had had a chance to familiarize themselves with our needs. We have found it necessary, therefore, to take into our organization, on a 100% basis, various employees whom we had though previously could have done our work in conjunction with the work they are doing for Grace & Co.

I consider, however, that remuneration should be made for the work done for us by the higher officials in the various Grace Companies in South America in return for the great assistance they have rendered and the time they have given, and will give, in aiding us to solve our many complicated problems. These officials are extremely busy, and the

time and thought they give to us, and without which our task would be infinitely harder, is difficult to describe but is always evident. In view of the fact that we are paying for office space separately, that we have found it necessary to secure our own personnel for accounting, that all incidental expenses are paid directly by us, I consider that the reimbursement for the higher officials for goodwill and for legal counsel by Grace Lawyers should be placed upon a flat basis as follows:

\$18,000 per annum while we are operating on a once-a-week schedule;

\$22,000 per annum on a twice-a-week schedule;

\$25,000 per annum on a three times a week schedule.

GR-11237

G066065

[fol. 122] My reason for not placing this remuneration upon a mileage basis is that the greater amount of work done for us by the Grace & Co. higher officials is during the period when we are operating only once a week. After we have secured our operating rights and have shown the countries through which we fly that we are worthy of trust and confidence, our political and international problems will not be so complex, and we hope that we shall have to impose less upon the expensive time of the Grace managers and their assistants.

I repeat again that it is hard to estimate in dollars and cents the benefit we receive from the Grace organization, but I recognize these benefits and the work already done, and to be done, for us by the powerful Grace interests, and I have recommended what I think is a fair compensation for benefits received.

PAN AMERICAN AIRWAYS INC.

There is no question that in order to operate successfully a 4,800 mile air line at all, a great deal of technical skill and brains must be required. Panagra is fortunate in having the offer of the services of Pan American Airways, Inc. with an already established and competent supervisory operating personnel.

It is my understanding that the Pan American Airways, Inc. offer includes engineering supervision and advice, purchasing of airplanes, equipment and supplies, radio supervision, and whatever advice or assistance we may need in establishing, soliciting and regulating our passenger traffic. We are also to have the privilege of using, wherever practicable, the accounting system originated by Pan American Airways, Inc., and to be permitted to purchase at cost the Code Book prepared by them for the cheap and intelligent despatch of cabled messages. We are also to have the privilege of consulting, and the assistance where necessary, of the Pan American Airways, Inc. Washington office.

My recommendation is that remuneration for these services should be placed upon a mileage basis rather than a flat basis, because the work to be performed by Panair will always bear a distinct relation to the amount of miles flown by Panagra airplanes. My recommendation as to reimbursement for these services is not to exceed 9¢ per mile. This is in line with what I am informed the Pan American Airway, Inc. technical and supervisory overhead figures out on the basis of the present mileage flown by Panair and affiliated Companies. It is my understanding that as the mileage increased the above figure will be reduced, and therefore, the above maximum price per mile be correspondingly modified.

I should wish to point out that we not only receive the assistance of Panair Purchasing Department, but are also permitted to avail ourselves of the discounts for which GR-11238

G066066

[fol. 123] Panair has been able to arrange on account of large scale purchases. We will also be able to avail ourselves of the work already done by Panair in building and testing special airplane radio sets for use in our operations. Not only would this radio equipment cost us, if we purchased it from manufacturers, a great deal more than Panair proposes to charge us, but I am afraid we would find, after the purchase had been made, that it was not suitable for

our requirements. I am also informed that it would be several months, possibly a year, before we could secure suitable radio sets from any other source.

The above would constitute a modification of the amount shown in the estimated budget for the year 1930, under the heading of ESTIMATED PAYMENT TO PAN AMERICAN AIRWAYS, INC.

It is, I understand, the intention of neither W. R. Grace & Company nor Pan American Airways, Inc. that any large profit be made for the services rendered by their respective organizations to Pan American-Grace Airways, Inc. On the other hand, neither organization wishes to lose money, and to the best of my belief the figures recommended will attain that desirable end.

GR-11239

G066067

[fol. 124]

GOVERNMENT'S EXHIBIT 40

Send FJH
Copy of Agreement

Asked Tappan to
do so.
2/26/30

MEMORANDUM FOR MR. GARNI:

PAN AMERICAN-GRACE AIRWAYS, INC.

PROPOSED AGENCY AGREEMENT WITH
W. R. GRACE & CO.

1. Subject to working out the terms to mutual satisfaction it has been agreed that W. R. Grace & Co. will be appointed general agents of Pan American-Grace Airways over their entire line from Cristobal to Montevideo. I would, therefore, appreciate it greatly if you could discuss the matter with Mr. Redshaw and Mr. Rebstock and let me have their views in detail. I am sending copy of this memorandum to Mr. Valverde with covering letter requesting that he take the matter up with Mr. Metzner. Please bear

in mind that as this matter has not yet been put in definite shape, it has not been discussed at all with Mr. Harris or the other Pan American-Graeco or Pan American people on the Coast and it is, therefore, desired that the matter be kept strictly confidential until it is closed and we can advise the Pan American-Graeco people from here. This is of great importance.

2. The general idea is that Pan American-Graeco will conduct its own flying operations including flying personnel, equipment, landing fields, maintenance and everything directly connected with the business of flying. All other operations of the company in South America will be handled by the general agents. This will include all the local business of the company and all matters in connection with traffic including receipt and dispatch of planes under which head-GR-250 11-8-54 RJS G019484

[fol. 125] ing it should be possible for the agents to exercise considerable control over at least the business side of operations. This division between the flying and business sides of the venture may not be entirely sound but so far we have been unable to reach any agreement carrying the agent's functions into the flying side as our partners feel that this part of the business calls for specialists and that a separate organization of this character should be built up. I believe, however, that by close cooperation between our Houses and the Panagra flying organization, there should be no serious difficulties arising from this division of functions. It is, of course, apparent that the functions of the general agent go far beyond that of an ordinary steamship agent and our Houses should approach the matter with this viewpoint. Their function is really to act as principals on the business side and through their control of finances and accounting they should be able, by harmonious cooperation with the Panagra organization, to exercise a very important influence in controlling expenditures, etc. of Panagra's operating organization.

3. The theory of the agency arrangement is that one house in each of the four divisions into which our operations

are divided, will be responsible for the discharge of the agents duties in that division. Thus Panama Agencies Company, Cristobal will be responsible for Division No. 1 (Cristobal to Talara); W. R. Grace & Co., Lima, for Division No. 2 (Talara to Arica); Grace y Cia (Chile), Santiago, for Division No. 3 (Arica to Santiago) and Division No. 4 (Santiago to Montevideo). This means that Pan American-GR-251

G019485

[fol. 126] Grace, New York, will deal directly only with these three offices. These three offices will appoint and respond for the agents at the various points where the planes call including outside agents at points where we have no organization of our own. The idea is that these three offices would take into their respective organizations such general personnel as Panagra now has at these three points, or such part of it as we wish to take over. Thereafter Panagra's business under this general agency agreement will become a department of each of these three main offices and the business will be handled precisely the same as that of any other department of the respective houses. It will not be necessary that the Houses maintain in any sense a separate Panagra organization but it will be necessary that they delegate to this work one good man as head of this department who can be responsible to see that the work is properly organized and effectively carried on. It may be that in some cases there will have to be an assistant. It is not our intention, however, to prescribe in detail how the separate offices shall carry out their responsibilities under this contract. They will know better than we how best to secure the desired results. It will, however, be strictly incumbent upon them to adopt such method as will guarantee these results.

4. The question of compensation is one on which we have not as yet reached any agreement with our partners and the plan of compensation submitted herewith is accordingly strictly tentative. Our theory, however, is to pay to each of these three division headquarters offices an GR-252

G019486

[fol. 127] amount sufficient to cover their out-of-pocket for services which we estimate will be required under this agency agreement, plus a reasonable amount in respect of overhead. Additionally we will pay a fixed agency fee for each port of call and a slightly larger fee where there is an overnight stop or other special consideration. The agents will also receive a commission on passenger and freight bookings and will be entitled to bill as disbursements various items not included in the fixed fee. All of these payments will be made to these three main offices. They will make their own arrangements with outlying agencies and outside agents and will pay these outside agents such amounts as they may arrange. In case they have to pay more than the amount allowed, however, they will have to absorb this difference. Similarly, the booking commission may be apportioned in such manner as the main offices see fit and the monthly fee may be applied by them as they deem best.

5. Herewith is a draft form of agency agreement and a draft of proposed fee basis which will indicate how the foregoing works out in detail. If any part of this is not clear or if our managers are not in agreement on any point, I would be glad if they would cable me promptly in order that the matter may be taken care of while the contract is under negotiation.

6. We have secured this agency agreement because of our unqualified assurances to our partner that in this way Panagra can have the work covered by the agency contract better done and for less money than by setting up their own organization. We can only retain the agency if these assurances-
GR-253

G019487

[fol. 128] ances are substantiated by actual performance. In our estimates we have calculated fees on what we believe to be a liberal basis and we will not accept the agency except on such a basis. But it goes without saying that we expect corresponding service. This business is a new one and it is expected that the agents will approach it enthusiastically with a view to building up a commercial business and not merely with the idea of administering a going one.

Personnel should be selected of a type to do this kind of a job. Our mail revenue is not sufficient to pay expenses today and we must develop a large passenger and express business in order to make this venture pay. Moreover, neither we nor the United States Post Office regard the mail revenue as anything except a subsidy during the pioneer period to enable us during that period to build up a real commercial business. Our mail contract calls for three trips per week but so far the Post Office has given us only one trip. We are hopeful of getting a second trip beginning July 1st but whether we get and retain this second trip, to say nothing of the third, is very largely dependent on increase of use of air mail. We are, therefore, interested in stimulating the air mail movement even though that does not directly swell our income account. We must also develop passenger and express business not only to make the business pay on its own feet but also because the policy of the United States Post Office Department is not to foster lines which merely carry the mail but the Postmaster has stated very emphatically they are only interested in lines which under the protection of the mail subsidy are building up a real air transportation business on a commercial basis. It GR-254

G019488

[fol. 129] is, therefore, the function of the general agents not merely to administer the business and sell tickets to people who ask for them but to actively and vigorously go after and build up traffic in every possible direction. In this connection it should be borne in mind that Pan American Airways have a very effective traffic organization of their own which is building up a very considerable business on their lines. As our partners in this venture they will always be comparing the results of their traffic organization with ours. With our many years of experience in this field we ought to be able to show a much better performance than they and I do not think we will have made good on this contract unless we do.

7. It is believed that the compensation provided should be adequate to take care of all expenses of the agency and that the booking commission, with the development of busi-

ness, ought to make the agency distinctly profitable to the Houses. I see no reason why the Houses, therefore, should not undertake the business with enthusiasm and if they do I feel certain that it will be made a great success.

/s/ Harold R. Harris

January 29, 1930

P.S. The agreement between Pan American-Grace Airways and Pan American Airways referred to in the "Second" paragraph of the agreement relates merely to Panama and the Canal Zone and provides that at that point the Government negotiations shall be carried on by Pan American Airways. This is thought desirable because of their extended operations at this point, and because of the fact that the France Field arrangements are in their name.

GR-255

G019489

[fol. 130]

GOVERNMENT'S EXHIBIT 41

February 19, 1930

MEMORANDUM FOR MR. TRIPPE:

PAN AMERICAN-GRACE AIRWAYS

After most careful consideration of the points discussed in our various conversations, I have reached the conclusion that it would not be practical to turn over the entire operation of Pan American-Grace to Pan American Airways and that the soundest policy would be to continue the plan of having the flying operations (including maintenance, landing fields, etc) in the hands of a separate organization under the control of a general manager responding to the Pan American-Grace Board of Directors.

My reasons are, briefly, as follows:

1. Whether it be a happy incident or not, the fact is that Pan American-Grace has a separate capital owned by two disassociated interests which, it seems to me, re-

quires that the company be, to some extent at least, maintained as an independent entity with an independent management.

2. The foregoing consideration is of the greater importance because the entire life of the company depends on a separate and independent mail contract on which it has bound itself to the United States Government for a period of ten years. Performance of this contract is, therefore, the company's paramount problem. As a matter of sound policy it does not seem to me that the company is warranted in turning over responsibility for performance of this paramount obligation to any third party, even though that party be a 50% owner of the company. Under your plan I feel that in practice our whole operating organization and personnel would, in fact, become a part of the Pan American organization and that Pan American-Grace would have divested itself of any machinery whatever for performing its obligations under its mail contract. While such a contingency is hardly to be contemplated, I think that in view of your recent

GR-214

10-28-54 P.J.S.

G010712

[fol. 131] proposal of one stockholder of Pan American-Grace buying from or selling to the other, we must take into consideration the possibility of a situation arising where such a condition might again arise and perhaps under strained circumstances. In such a situation, Pan American-Grace, having no operating organization of its own and being obligated to maintain operations under its mail contract,

GR-215

G010713

[fol. 132]

GOVERNMENT'S EXHIBIT 42

Buenos Aires, Argentine
Feb 27, 1930

Mr. Harold R. Harris,
Vice President
Pan American Grace Airways, Inc.
Lima, Peru

Dear Mr. Harris:

Was not particularly surprised to see your letter of Feb 20th but hardly expected exactly your attitude in advising that Pan American Grace agents should not accept instructions from Pan American Airways officials. I think this was quite unnecessary and probably due to your misunderstanding of what occurred. I issued no instructions to your people. I requested Summers to have the motor changed, after finding out that it had 362 hours and was expected to fly to Santiago and return without being changed. Mr. Summers, as your representative, had a perfect right to refuse my request but he did not do so, as he agreed with me that the Pan American Grace should not take the chance of a forced landing in the face of the competition that Nyrba was going to give them on the East coast. Had I known in time that you had a motor in the Ford that had 362 hours and you expected it to make the trip to Santiago and return, I would have taken the matter up with you direct.

I happened to be in Montevideo on Thursday and as a matter of curiosity asked Williams what time his motors had. My only reason for doing this was to get an idea of what would be needed in the near future. I was dumbfounded to learn that he had two new motors but one of 362 hours. I made no request to Williams but spoke directly to Summers.

The motor had to be changed on Friday or the plane had to go out as it was. I had no time to wire you and I am glad I did not as from the tone of your letter and the

reasons you give for not having the motor changed here convince me that you would have refused my request and I would have had to have appealed to New York.

You undoubtedly realize that Pan American Airways owns 50% of the Pan American Grace Airways. You probably do not realize that the Washington post office does not look to Pan American Grace for results on the operation of the line from Cristobal to Montevideo, but to Pan American Airways. Pan American Airways has entirely too much at stake for one of its officers to take into consideration the feelings of a Pan American Grace official when the action under consideration may cause an irreparable loss.

We know of your ability as an operator and had always thought that you were handicapped in your operation of the Pan American Grace by lack of equipment. I personally had never thought that you would operate the line as it is being run if you had full control over the purchasing of equipment. It was because I knew that Pan American GR-6655

G031987

[fol. 133]. Airways interests were demanding that Pan American Grace put in necessary spares that I considered I was perfectly justified in suggesting that your only spare motor be used. If you consider it good operating to use a Ford over the Andes that has one motor with 362 hours then you and the Pan American Airways are miles apart.

I only trust that such is not the case and that your letter was inspired from your fear of not being able to get more spares as quickly as you may need them.

In closing I may say that I had no idea of indicating that the Pan American Airways is going to hold a spare Wasp motor in reserve for you at Montevideo. Your idea of flying the Ford to Lima for replacement seems hardly economic as in view of the cost of gasoline and equipment I rather think that it would cost much less to ship your three motors for overhaul to Miami or Cristobal, than it would be to fly the Ford from Santiago to Lima to say nothing of the risk being run. Pan American Airways is

always willing to cooperate with you and if it is necessary for you to use any motors that we may have here, they will be at your disposition providing it is possible. I am not sending a copy of this letter to New York but you of course are free to do so, should you wish.

With kindest personal regards,

Yours faithfully

George L. Rihl
Vice-President

GR-6656

G031988

[fol. 134]

GOVERNMENT'S EXHIBIT 43

New York, March 4, 1930.

D. S. Iglehart, Esq.,
Delray, Florida

Dear Mr. Iglehart:

We were all delighted to get your telegram of a few days ago and I hope I am not imposing too much on the privilege by this letter. I have, however, delayed taking this matter up with you for several weeks but I cannot keep it in abeyance much longer and it is so serious that we do not want to make a decision without the benefit of your views.

About a month ago after one of our usual unsatisfactory Directors' meetings, Trippe told me that Hoyt and Whitney had seen him after the meeting and had told him that this dual management could not go on any longer and that we should either liquidate the company or one party sell out to the other, Hoyt's idea on the latter point being that each should submit a sealed bid for the other's interest and the high man become the buyer. I told Trippe that we were quite as much concerned about the management problem as he was but that we were not prepared to settle it on a gambling basis and saw no reason for liquidating.

that in my opinion the idea of a separate management for this company was entirely sound and the only reason it had not worked was because of our unfortunate selection of a general manager and that the thing to do was to correct this mistake but not change our general policy. He replied

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[fol. 135] that while he agreed that the manager was inadequate he did not consider that anyone, however competent, could do the job with dual control and that the only reason he had hesitated to carry out the decision about MacGregor promptly was that Harris had told Whitney at the Canal recently in effect that he had some sort of a commitment with MacGregor to step out if MacGregor did.

Trippe's idea was that the solution of the management problem was to turn over the entire management to Pan American for a fee and let them run the line as a part of their organization, going back to the original idea when the company was formed under which Grace would attend to the business on the Coast and Pan American would attend to the operations. You will recall that this was the original idea as embodied in letters exchanged at the time. Trippe also made the point that experience had demonstrated that it was utterly impractical for his technical organization to work effectively with Pan American-Grace when they occupied the position of an outside independent company and that it did not suit them as stockholders to have the Pan American-Grace setup a wholly complete separate organization as that would mean from their standpoint duplication of expense and unnecessary loss to them. I objected to turning the matter over to them entirely on the ground that whether happily or not, the fact was that Pan American-Grace had a separate capital with separate

G132

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[fol. 136] stockholders and with a separate obligation to the United States under its mail contract and that they must maintain a separate identity for these reasons and that some way ought to be found of doing this while at the

same time getting full advantage of Pan American's operating experience. It was at this point that I suggested to Mr. Grace as a compromise the plan of keeping a separate company, making Trippe President of it in direct charge of operations and with myself as Chairman so that Trippe and I would constitute something of an executive committee. We can then pay Pan American a fixed sum for their operating services, including Trippe's services as President while maintaining the separate identity of Pan American, Grace, and Trippe, being in charge of operations in general, will be able to use his own organization to the best possible advantage.

While matters were in this state, a wholly new situation developed which made matters still more acute. The Nyrba people you may recall had succeeded some time ago in persuading the Post Office Department to ask for an appropriation for the establishment of an East Coast line. This did not at the time suit Trippe because he felt that in competition with the Nyrba he would have to take the line at a very low figure whereas by delaying matters the Nyrba might fade out of the picture. He succeeded sufficiently in persuading the Post Office Department as to the inad-

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that it looked very much as if this project might be dropped. At the same time we had been urging additional service on the West Coast. As a result of a good many factors which I need not detail here, the Post Office Department suddenly decided definitely not to advertise a complete East Coast line but merely a line from Rio to Buenos Aires, the mail being carried from there on over our line and in this way make the money originally intended for the East Coast line available for giving us a second trip a week beginning July 1st.

While Trippe was perfectly satisfied and even anxious to see us get a second trip a week and to see the East Coast line held in abeyance for a time, this new plan of the Post Office did not suit him at all because he felt that the short line from Buenos Aires to Rio might very well have to be taken at a ruinous price or fall into the hands of Nyrba

which would make impossible his later getting a through East Coast line. He had also in the meantime made certain arrangements on the East Coast which he felt would put him in a very favorable position to get the East Coast line if it were advertised as a whole. It thereupon immediately became to his interest to have a complete East Coast line advertised even if we had to be denied our second trip in order to make funds available.

He thereupon came to me with a proposition which he stated represented Hoyt's views as well as his own that, in

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[fol. 138] view of this conflict of interest as well as impending future conflict growing out of negotiations he has under way with Seadta and greater efficiency in management if the whole system were run as one, some form of merger or consolidation ought to be effected between Pan American and Pan American-Grace. While he suggested that failing this, they would be willing to sell to us, I think he was really more anxious to buy than sell and personally I do not see how it would suit us to buy especially if we are to have competition from a cheaper East Coast line.

Mr. Grace and Mr. Holloway sat in with us one whole afternoon going over this business and I have had several long talks with Tripp since. I need not trouble you with all this beyond saying that without committing ourselves to sell at any price, I did, by a roundabout calculation, indicate that we consider our half interest worth \$2,500,000 of which we would want \$500,000 cash and \$2,000,000 in Aviation Company stock at a fair figure. Tripp, by an equally roundabout process, indicated his idea as \$750,000, of which \$500,000 might possibly be cash with perhaps a little time on some of it. I think he could probably be got up to about \$1,000,000 but from there on it would be slow going so we were too far apart to get anywhere. Hoyt, having left on a six weeks' trip to the West Indies could not be reached.

Finally I insisted definitely that we waste no more time discussing mergers but get down to the problem of manage-

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[fol. 139] ment of the line we already had. In a talk this afternoon I told Trippe that I would submit to him in writing a possible form of management so that I might get his ideas in concrete shape which we might have to submit to you. I am enclosing herewith copy of the memorandum I have sent Trippe.

While we are in no way committed to this plan, I feel that something along this line is the best we can do at this time and that it is more important to get matters lined up on some fairly satisfactory basis at once than to permit them to drift any longer in the hope of something better. Mr. Grace, Mr. Holloway and Mr. Patchin approve this plan under the circumstances. Mr. Cogswell is more doubtful about it than the rest of us. Vidal, who is just back from Panama where he saw a good deal of Pan American's operations, feels that it is highly desirable to give Pan American a larger hand in operations and that this will in the end prove much cheaper than going on as we are where saving in maintenance is seriously increasing our depreciation charge. Before Garni and Valverde left I discussed with them the possibility of dividing the business along the lines now proposed and although originally opposed, after a full discussion they concurred in this plan. I enclose copy of memorandum Mr. Garni took with him and which I have sent Mr. Valverde by mail. Two letters from Garni enclosed show his reactions since he has been on the ground. While I do not consider the plan ideal, I

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[fol. 140] feel pretty clearly that it is the best we can hope for with 50/50 ownership where both interests are determined to have a part in the management and neither is satisfied with the position of a mere investor. Pan American are just as determined on this point as we are and they will under no circumstances turn over the whole control to us any more than we would to them. Unless some such plan as this, therefore, can be worked out, my feeling is that we might better sell out to them even at a modest price than to let matters go on as they are.

As to the need of some radical reorganization of operations, I would prefer not to go into details here but from reports received not only from Pan American people but from several wholly disinterested sources, I feel satisfied that there is great urgency for prompt action.

I hope I have succeeded in making at least the high points of the problem clear. The whole story would fill a book.

Sincerely,

Enes.

P.S: For your information, especially in connection with the merger question, the entire Pan American system showed a profit of \$30,000 for the month of January.

In explanation of the reference to Pan American servicing our planes at the Canal Zone, this contract provides
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[Vol. 141] for our paying a fixed pro-rata of the rent and other fixed charges and their actual direct labor cost for maintenance plus 150% and cost of spares plus 33%. I discussed these percentages with Mr. Doubleday who considers the former very modest and the latter perhaps a little high. As spares are not a very large item, however, I may be forced to accept this figure as it is a distinct advantage to us not to have to carry a stock of spares for machinery which is changing as rapidly as aviation equipment. Vidal saw this plan in actual operation in the month of January at the Canal and reports that the service our planes are receiving is most satisfactory and the total cost of this first class maintenance is less than it would cost us to keep one mechanic at the Zone.

All of these contracts which we propose making can be cancelled on reasonable notice if they do not work out.

H.J.R.

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[fol. 142]

GOVERNMENT'S EXHIBIT 44

March 5, 1930

J. T. Trippe, Esq.,
Pan American Airways,
122 East 42nd Street,
New York City

Dear Trippe:

I enclose memorandum promised yesterday.

As this plan represents such a departure from the present setup, I do not wish to be committed to it until I have had opportunity to get Mr. Iglehart's views. I believe, however, that the thing for you and me to do is to get this in concrete shape so far as we are concerned as soon as possible.

To that end I would be glad to have your comments on this memorandum.

Very sincerely yours,

(sgd) HAROLD J. ROIG

Enc.

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10-28-54 PJS

[fol. 143] COPY

PAN AMERICAN-GRACE AIRWAYS
PLAN OF ORGANIZATION

While availing of the facilities of its two stockholders to the fullest extent possible, it is necessary that Pan American-Grace Airways maintain its separate identity because of its separate capital, separately owned, and because of its separate liability under its mail contract.

The following plan of organization is intended to preserve the necessary balance between these factors while at the same time giving the company an effective management.

1. The company retains its present Board of Directors, Mr. Trippe, however, becoming President of the company and Mr. Roig Chairman of the Board and these two constituting an executive committee.
2. The New York office of the company to be closed and its personnel dismissed with the exception of Mr. Vidal who will be continued as Comptroller with such accounting assistance as he requires.
3. Mr. Trippe as President will be in responsible charge of operations, including flying, equipment, maintenance, ground stations, and everything directly connected with flying. In the discharge of this responsibility he will bring to his assistance such departments of the Pan American organization as necessary and employ them in such manner as he deems best. Pan American Airways will be paid an agreed fee for their services hereunder, including Mr. Trippe's services as President.
4. Mr. Roig as Chairman, in addition to presiding at Directors' meetings, will be in general charge of the work of W. R. Grace & Co. as agents, whose functions shall be as outlined in the form of agency contract submitted to Mr. Trippe on January 31, 1930. The fee paid W. R. Grace & Co. shall include Mr. Roig's services as Chairman.

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- [fol. 144] 5. Matters not falling under the heading "operations" or under the agency contract, shall be handled by the Executive Committee or in such manner as they or the Directors may from time to time decide.
6. In order to bring about proper coordination between the operations and the functions covered by the agency contract, there must be close contact and cooperation between both personnels on the Coast and between Messrs. Trippe and Roig in New York. Without undue interference in the other's field, it would be expected that both members of the Executive Committee would be in more or less constant

touch with each other and would keep each other more or less posted (through copies of cables and otherwise) of what was going on in their respective fields and would exchange views freely with the idea of bringing about the closest possible synchronization between the two ends of the business.

7. Mr. Harris will continue as Vice-President in charge of operations under Mr. Trippe but his activities will, of course, be restricted to operating matters, the other business which he now handles being taken over by the agents. In order that there may be a complete understanding with Mr. Harris regarding the plan of organization and the policy of the company and complete mutual confidence established between him and Mr. Trippe, he is to be asked to make a short trip to New York or Miami to go over the whole matter with Messrs. Trippe and Roig. It goes without saying that it is essential to the success of the plan that Mr. Harris be in accord with it and that Mr. Trippe be assured of his full cooperation in carrying out the operating program.
8. As soon as possible after this plan becomes effective, and every six months thereafter, the President will submit to the Board of Directors a budget giving his recommendations of capital expenditures to be made during the ensuing six months. These recommendations will, of course, be made in consultation with the Vice-President in charge of operations and will, so far as possible, represent the joint views of the President and this Vice-President. The Board of Directors will authorize such of these expenditures as they deem best and no capital expenditures will be made except those so recommended and approved by the Board.
9. On or before the first of each month, the President will submit to the Board of Directors a budget giving

- [fol. 145] an estimate of operating expenses for the ensuing month. The Board may approve or amend this budget and the President will be expected to see to it that the expenses are kept within the approved amount.
10. The company will keep its own accounts and maintain its own separate financial structure both under the jurisdiction of the Comptroller whose signature or that of his assistant shall be required to all checks and obligations. Pan American Airways will not be expected to make any advances in connection with operations, all such expenses being paid by Pan American-Grace Airways itself. The Comptroller will be expected to see that expenditures are kept within approved budget amounts and in order that he may do this shall have access to all necessary sources of information.
 11. Pan American Airways will service our planes at the Canal Zone under contract substantially in the form now under discussion. Some joint working arrangement may be desirable in the Argentine. But except where special arrangements of this kind are made, neither W. R. Grace & Co. nor Pan American Airways will be expected to perform any services outside of those covered by the general contracts referred to in paragraphs "3" and "4" above nor to look to the company for any compensation or expenses other than those therein provided.
 12. The fee of Pan American Airways should, in my opinion, be a fixed amount per month the same as the Grace fee. I am perfectly willing, however, to discuss this with Mr. Trippe further and if he desires, to go over his figures with him with a view to deciding on the fairest basis for both sides.

H.J.R.

[fol. 146]

GOVERNMENT'S EXHIBIT 45

Lima Peru
5 March 1930

Mr. George Rihl,
Vice-President, Pan American Airways, Inc.
Buenos Aires, Argentine

Dear George:

I was very glad to get your letter of Feb. 27, 1930 on the subject of the motor change in the San Cristobal, since it puts on paper for the first time in my experience with the Pan American Grace Airways, the feeling that I have suspected exists in the minds of many Pan American Airways people with regard to the position and functions of the Pan American Grace Airways. As you well realize, my own position has been quite difficult at times, and this is one of them. You must remember that I am employed by 100% of our stockholders, and am held answerable to them, through our General Manager, Mr. MacGregor. A number of times in the past I have found exactly your attitude with regard to the Pan American interests, expressed in practically the same way by officials of the Grace Co. with regard to the Grace interests. My only hope of getting along is to make my plans and carry on as best I can, keeping both sides of the picture in mind. It is quite possible that eventually the operations of the Pan American Grace Airways will be under the Pan American Airways, but until that time comes, I am charged with the responsibilities of our operations, and will continue to carry on as best I can under all the conditions existing.

With regard to your statement that "You probably do not realize that the Washington post office does not look to

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[fol. 147] Pan American Grace for results on the operation of the line from Cristobal to Montevideo, but to Pan American Airways." is odd since as far as I know, the only operation than Pan American Airways has ever done on this FAM #9 has been the operation for several months of the Cristobal-Guayaquil run. Since the first of Jan. 1930 this section has also been operated by the Pan American Grace Airways.

I am in complete accord with your remark "I personally had never thought, that you would operate the line as it is being run if you had full control over the purchasing of equipment". However, since I have been repeatedly warned that all expenditures must be curtailed, it is necessary for me to get along with the minimum of shop facilities, personnel, and spares.

As far as the use of the motor in question for one round trip between Santiago and Montevideo, you may be sure that I personally would have been glad to have made this trip with this motor, since I had information from my crew that this motor was in excellent condition. For your information, we are operating on the principle that our motors are changed when they require overhaul, and not on the basis of a blanket overhaul after so many hours. This is a safe method when the operation is only once a week, and there is time for personal attention and work on each piece of equipment. As a proof of this statement, I need only point out that to date from the commencement of our operations in South America on Sept. 13, 1928, we have only had one forced landing on account of motor failure, which occurred Nov. 11, 1928, on account of a burned out piston in a J5 Whirlwind motor.

Best personal regards. I hope to see you soon

(sgd) HAROLD R. HARRIS
Vice Pres., Pan American Grace

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[fol. 148]

GOVERNMENT'S EXHIBIT 46

PAA

PAN AMERICAN AIRWAYS, INC.

GENERAL OFFICES—

122 EAST FORTY-SECOND STREET—

NEW YORK CITY

Office of the
President

March 8th, 1930.

Mr. H. J. Roig,
c/o W. R. Grace & Co.,
10 Hanover Square,
New York, N. Y.

Dear Mr. Roig:

Receipt is acknowledged of memorandum enclosed with your letter of March 5th, in connection with the reorganization on the West Coast.

The plan as outlined, in my opinion, is unsatisfactory with respect to important details. Rather than attempt to outline my views herein, I would suggest we go over them when we meet Monday morning.

Sincerely,

J. T. Trippe

JTT:B

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PJS

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[fol. 149]

GOVERNMENT'S EXHIBIT 47

Letter No. 2

New York, March 10, 1930

D. S. Iglehart, Esq.,
Delray, Florida

Dear Mr. Iglehart:

Your wire was very helpful in enabling me to shape my conversation with Mr. Trippe this morning.

The difficulty you mention as to Trippe's having a 100% interest on one side and a 50% on the other, is absolutely fundamental and he has repeatedly said himself in connection with this East Coast negotiation that he did not see how he could fail to be governed by his greater interest much as he regretted to be forced into this position. Whether I could ever assume the position in the picture which you very correctly state is essential to its satisfactory working, is also a matter of considerable doubt in my mind because of the fact that Trippe seems unable to stay put. This morning's conversation, for instance, was largely given over to his raising points about the working agreement which had never been raised before and some of which were inconsistent with the tentative understanding previously reached. Ironing these out is going to be a long and unsatisfactory job, especially since they will no sooner be disposed of than others will be brought forward.

He again renewed this morning the question of our selling out as the only method of solving our various conflicting

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10-18-54 PJS.

[fol. 150] interests. There is unfortunately a good deal of basis for this view. If Trippe were a more normal person to get along with it would be different but it is almost impossible to get anything finished with him and Hoyt, ex-

cept on the high spots, is not available and will not trouble to go into the details. Unhappily it is the details that make the trouble because without Trippé carrying along on these any general decisions Hoyt makes are meaningless and their execution can be evaded eternally. I have personally spent an enormous amount of time with Trippé in the past month trying to get some workable organization plan set up. We have repeatedly spent solid half days on it for days running but just as we are apparently ready to close, he is off on some tangent and in ten minutes we are back to scratch. I do not see how a partnership where such basic differences of opinion exist as here can get very far for I am afraid that the time diverted from the business of the company to ironing out these differences and reaching in the best of cases a more or less unsatisfactory compromise, is not conducive to building up a new business.

Quite apart from this mental incompatibility which makes a satisfactory management for Pan American-Grace well nigh impossible, there are unhappily several very serious points of directly conflicting interest where Trippé refuses to recognize that his 50% interest in our company precludes him from following what he conceives to be a more important 100% interest. The East Coast situation is the most glaring example of this. We have all taken a hand at trying

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[fol. 151] to persuade him that his interest in Pan American-Grace precludes him taking any position regarding the East Coast which is prejudicial to the West Coast. He simply refuses to recognize this beyond arguing that he clears himself by his offer to merge and by undertaking to keep us posted in what action he takes regarding the East Coast. Moreover, it seems very likely that sooner or later he will reach some agreement with Von Bauer for taking over Scadta. Scadta is operating in direct competition with Pan American-Grace yet Trippé feels that if Pan American absorbs Scadta he would be under no obligation to discontinue this competition. Moreover, he feels that in this event Scadta should operate the entire north coast of South America and that Pan American

should sublet to them their line from the Canal to Paramaribo and Pan American-Grace should sublet to them our line from the Canal to Guayaquil, — or at any rate that this is the efficient way to operate, — his idea of efficiency being always determined by his 100% interest. Finally, there is the old question of an interior line from Bolivia to Buenos Aires which he constantly comes back to as a scheme which Pan American may have to undertake in order to keep someone else out.

I agree with you that \$750,000 is not an adequate price. In my talk with Trippe this morning, however, it became very apparent that this is by no means his ultimate price. I have always told him that we did not care to either buy or

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[fol. 152] sell but when I suggested to him this morning that if the property were to be given away at any such price as \$750,000, we would rather buy than sell, he immediately explained that that figure did not by any means represent his limit of what he ought to pay. My own figure of a valuation of \$5,000,000 for the line was based on the fact that presumably if they had had the money this is what Montgomery's group would have paid for it on the day we got the mail contract since on that day we had \$1,000,000 of cash in the company and a mail contract at forty cents a mail more than they were willing to take it for. This, on a basis of two trips a week, or say 20,000 miles per week, or 1,000,000 miles per year, made our contract worth \$400,000 per year, or \$4,000,000 for ten years, making the line worth \$5,000,000 and our half \$2,500,000. I have also said that I believe we could sell our half for at least this to Nyrba or some other outside interest and that if it came to a question of sale there was no reason that we should sell to him for less than we could get for the line in any other direction.

If we could get anything like this for our interest, payable \$500,000 in cash and the balance in Aviation Company stock at a fair valuation, I would much rather sell than buy and provided we get some sort of an agency contract.

believe that sale would be preferable to going on with a 50/50 company with so unsatisfactory a partner. I believe the Aviation Company stock would be worth a good deal.

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[fol. 153] of money in the course of time as Pan American made \$30,000 in January. Trippe says they made more than that in February which if true would seem to indicate they have turned the corner. Moreover, owing to their connection with experts in creating stock market values, it is entirely likely that some time or other they will run up the price on the stock very considerably. If we are to sell at all I believe, therefore, that the best time to do it is now when we can get Aviation Company stock at a lower valuation than it may be possible later and when they are particularly anxious to buy us out because of the imminence of the East Coast situation.

When it comes to buying them out, I think we have to consider in the first place that they would probably be willing to pay prima facie so much more than we that for us to top them at all would mean going up a pretty high figure. We would then have to, in addition to the purchase price, provide the additional capital which the company will need in the near future which Trippe estimates at about \$1,500,000. I consider this very high but at any rate this is his figure. We would then have to go into the aviation business very seriously with a complete organization which would be a fairly considerable undertaking in itself. Finally, we would have to face active competition from Pan American on the East Coast and Seadta on the North Coast. While I see no reason to believe that in the end we could not make a success of it despite these difficulties, I fear that it would be a long while before

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[fol. 154] we could take out as profit anything approximating what we would have on a sale now provided we can get a satisfactory price.

I would be glad if you would think over the general question of the advisability of selling provided we can get a satisfactory price and an agency agreement and let me have your ideas on the whole subject.

Sincerely yours,

P.S. Indications are that Pan American Grace will show a loss of about \$100,000 for last year assuming Pan American's bill for general services is within reason. This will be after payment of at least the following fees:

Lima	\$10,000
Santiago	10,000
Guayaquil	7,500
Bolivia	2,000

H. J. R.

GR-237E

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[fol. 155]

GOVERNMENT'S EXHIBIT 48

EXHIBIT "Q"

New York, N. Y.
March 28th, 1930.

AGENCY AGREEMENT BETWEEN PAN AMERICAN GRACE AIRWAYS, INC. AND W. R. GRACE & CO. PROPOSED IN CONNECTION WITH GENERAL PLAN OF REORGANIZATION OF PAN AMERICAN GRACE AIRWAYS, INC.

Pan American Grace Airways, Inc. (hereafter called "Panagra") proposes the following agreement with W. R. Grace & Co. (hereafter called "Grace") covering the services to be rendered in connection with the air transport services which Panagra is now operating from Cristobal, Canal Zone to Montevideo, Uruguay, by the West Coast of South America.

It is understood that where reference is made to either Panagra, Pan American Airways, Inc., or Grace in this memorandum, such reference to either includes its subsidiary companies or companies affiliated under the same ownership control.

The services of Grace, as agent, to be rendered shall consist of the following duties:

1. Grace shall conduct and handle all negotiations and arrangements on behalf of Panagra, as the necessity may arise or as may be requested by Panagra, with the Governments of Ecuador, Peru and Chile (or subdivisions thereof), and with any officials and agencies of said Governments. Such services shall be deemed to include all legal matters connected with the business of Panagra in such countries, and also the supervision of other agency services furnished by Grace at ports-of-call in these countries, where Panagra has no employee-representative. Similar services in the United States, Canal Zone, Republic of Panama, Colombia, Argentina and Uruguay are now being rendered to Panagra by its affiliated air transport company, Pan American Airways, Inc., which is conducting or about to conduct scheduled air transport operations in these countries and is maintaining local organizations for this purpose. In the event that Panagra should, during the continuance of this agreement, desire Grace to render such services in any of the latter named countries, including Bolivia, Grace will provide such services upon terms to be mutually agreed upon.

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[fol. 156] As compensation for its services provided in this Paragraph 1, Panagra will pay Grace a fixed monthly fee of \$..... per month. In addition to the above fee, Panagra will reimburse Grace for its actual proper disbursements, provided that, with the exception of cables and other routine disbursements, no expenses shall be incurred without the previous authorization of Panagra.

2. At all regular ports-of-call of Panagra's aircraft, where Panagra has no employee-representative, Grace shall handle the sale to the public, at such rates and tariffs and under such regulations as Panagra may establish, of tickets for passage and of transportation of baggage or merchandise upon the aircraft of Panagra from such ports-of-call to all points to which the services of Panagra or any of its affiliated or subsidiary companies now exist or may in the future be established. Such services shall include the keeping of all necessary records covering reservations for transportation and cancellations thereof, and correspondence necessary thereon, and the preparing of all such papers as may be necessary in connection with the transportation of passengers, baggage and air mail, including the weighing of same, and the issuance of receipts and or the securing of receipts therefor and, in general, all such traffic duties as usually appertain to the arrangements and relations with the public in connection with the operation of an air transport service, including (but this enumeration is not intended to be exclusive), the solicitation, receipt and despatch of passengers, merchandise, air mail and special flights, and when and where necessary, the entry and clearance of the foregoing, together with the aircraft and flight crews of Panagra, the protection and safe-keeping of cargo and air mail at the airports of Panagra, and the handling of all advertising and publicity.

As compensation for Grace's services provided in this paragraph, Panagra shall pay Grace a fixed fee of \$7.50 per plane on weekly service and \$5.00 per plane on semi-weekly service. At all over-night stops, the above fees shall be increased by \$5.00 per plane. At all scheduled ports-of-call involving entry into or clearance from a country by Grace for Panagra's aircraft, etc., the above fees shall be increased by \$2.50 per plane. Panagra shall also pay Grace a commission of five per cent. (5%) upon the sale of all passenger tickets (including special flights) and merchandise booked for transportation, at each such office where the arrangement provided in this paragraph is applicable. In addition to the

foregoing fees, Panagra shall reimburse Grace for its
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[fol. 157] actual proper disbursements for landing-fees, Customs charges, warehouse charges, not incidental to the carrying out by Grace of the routine duties herein specified, advertising, cables, and all out-of-pocket expenses, provided that, with the exception of cables, landing-fees, Customs charges and warehouse charges, no expenses shall be incurred without the previous authorization of Panagra.

Grace shall furnish, at its own expense, all personnel necessary for the performance of such services, it being understood that such personnel shall be employees of Grace, responsible to and paid by it, except at points where Grace has no office. At such points, Grace will arrange that the services herein required be furnished by outside agents satisfactory to Panagra, and Grace will pay the compensation of such sub-agents out of Grace's compensation herein provided.

3. Grace shall handle the receipt on behalf of, and accounting to, Panagra of all funds collected in connection with Panagra's business, and the handling of such funds and accounting therefor shall be performed in accordance with the attached separate memorandum.
4. At each regular port-of-call of Panagra where Panagra has an employee-representative performing certain traffic functions, and Panagra notifies Grace to this effect, the services of Grace as agent shall consist of only the following: Grace shall furnish such employee-representative of Panagra with desk-space in Grace's office and, in the event of the absence from the office of such representative of Panagra, shall answer any inquiries from the public regarding the schedules and rates of Panagra's transportation services and shall receive payment for tickets and other transportation services and also receive forms (the blank forms to be furnished by Panagra) containing the necessary information filled in by the customer, and turn over such payments and filled-in forms to Panagra's employee-representative. Grace

shall not be required to keep any records or handle any correspondence pertaining to such transportation services, nor have any responsibility in connection with any papers or documents required in the entry and clearance or receiving and despatching of any passengers, baggage, merchandise or air mail. Grace agrees to place posters furnished by Panagra in conspicuous places in its office or premises and will prominently display and keep readily available to the public such folders, pamphlets, booklets and other literature as Panagra may furnish for distribution by it. Grace will, at its own expense, display prominently at the entrance or upon the

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[fol. 158] door of its office and premises, a sign or signs announcing to the public that the Agency of Panagra is therein located and that Grace is the Agent of Panagra for the sale of its tickets and other transportation services.

As compensation for its services provided in this paragraph, Panagra will pay Grace a commission of five per cent (5%) on the sale of all passenger tickets (including special flights) and cargo booked at each such office where the arrangement provided in this paragraph is applicable.

All amounts payable to Grace by Panagra hereunder for its fees, commissions and disbursements shall be payable monthly. Grace shall present detailed statements covering such items for each month to Panagra's designated representative on or before the tenth day of the following month, and Panagra will pay Grace therefor not later than the twentieth day of such following month, but in the case of delay by Grace in the presentation of any such statements, payments thereof shall in no event become due and payable prior to ten days after the presentation of such statements. Interest at the rate of six per cent (6%) per annum will be charged by Grace on all such disbursements made by Grace from the date made, and on fees and commissions from the date when the same are due and payable.

as hereinabove provided. Any credit balance of Panagra with Grace will be credited with interest at the same rate.

It is understood that Grace will incur no liability or responsibility to third parties merely by reason of its acting as Panagra's agent hereunder, on account of the operations of Panagra, and Panagra agrees to fully indemnify and hold Grace harmless from all such demands and expenses, including counsel fees for defending any such claims and demands.

The agreement covered by this memorandum shall become effective on the first day of January, 1930, and shall remain in force for a period of twelve (12) months thereafter.

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[fol. 159]

GOVERNMENT'S EXHIBIT 49

EXHIBIT "N"

April 9th, 1930.

Mr. H. J. Roig, Vice President,
W. R. Grace & Co.,
7 Hanover Square,
New York, N. Y.

Dear Mr. Roig:—

I am enclosing an informal memorandum in connection with the draft plan of reorganization for Pan American Grace Airways, Inc., received from you last week, also draft of a proposed agreement between Pan American Airways System and Pan American Grace, covering supervisory services. I sent you a preliminary draft of our ideas of an Agency Agreement covering services by W. R. Grace & Company on the West Coast.

I am also attaching supplementary memorandum covering our ideas of the method of financial control and account-

ing procedure we should adopt in Pan American-Grace to afford the proper control of the operations of this Company.

During the past several days I have asked the Pan American Accounting Department to summarize, by departments, the approximate monthly cost of conducting services under your Agency Agreement proposal, received February 2nd. Also for comparative purposes, an approximate summary of the actual present cost to Pan American Airways, broken down by departments, of conducting service on the Porto Rico, Trinidad and Paramaribo route, where service is rendered on a once a week basis, under service and schedule conditions very similar to those now obtainable on the West Coast.

I think the figures will be interesting to check over before our meeting at 2:30 tomorrow.

Sincerely,

(sd) J T TRIPPE

JTT:B

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[fol. 160]

GOVERNMENT'S EXHIBIT 50

PAN AMERICAN AIRWAYS, INC.

General Offices—122 East Forty-Second Street—
New York City

Office of The
President

April 9th, 1930.

Mr. H. J. Roig, Vice President,
W. R. Grace & Company,
7 Hanover Square,
New York, N. Y.

Dear Mr. Roig:

Referring to your memorandum of last week outlining a plan of organization for the Pan American-Grace Air-

ways, Inc., I would summarize, for your consideration, certain thoughts in reference to several of the numbered paragraphs as discussed over the telephone, and in several later conferences between us.

Paragraph one provides for the Company retaining its present Board of Directors, together with an Executive Committee of two. This small Executive Committee would appear desirable in view of the fifty-fifty division of stock ownership, making possible Executive Committee meetings at frequent intervals and assuring the availability to both stockholders of full information covering the Company's operations at all times.

In paragraph two, the plan contemplates closing the New York Office of the Pan American-Grace Airways, Inc., and dismissing its personnel. Separate books and records of the Company would be maintained, I assume, in one small room at the office of the Pan American Air-Out ways System. With reference to retaining Mr. Vidal as Comptroller, I would suggest, for your consideration, the attached plan of financial control and accounting procedure, which would contemplate our removing to the proper point on the Airways, the books containing accounts having to do with field operations, under the personal control of Mr. Vidal as Assistant Comptroller.

The monthly statements to Directors and Operating Executives now in force in Panagra are most unsatisfactory, to my mind. I would suggest the desirability of installing the system outlined in the attached memorandum headed "Plan of Financial Control and Accounting Procedure" modelled after Panair's. Should you wish to personally inspect the monthly financial reports and statistical information now available to the Directors and officials of Pan American Airways System covering the previous month's

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[fol. 161] operations on or before the sixteenth of the following month, I am sure you will agree with the above observation. Furthermore, the cost of securing this information to Panair has been less than \$2.50 per month at ports of call, and less than \$15.00 per month at overnight stops on routes where one trip a week schedule is in effect.

Paragraph three refers to the supervisory services of Pan American. I would suggest these be determined by the following yard stick, and made available to Pan Grace at actual cost, without profit to Panair. The length of airways flown by Pan Grace in relation to the rest of the System would be determined each month; the number of ship miles flown by Pan Grace in relation to the rest of the System would be determined each month. The mean of the above two fractions would determine the overhead monthly charges to be allocated to Panagra. No Foreign Department representatives or attorneys in the foreign field would be included and should the Directors of Panagra accept the proposal of Pan American to Mr. MacGregor to operate their entire Communications System, including, in general, the supplying of both ship and ground operators and the leasing and maintenance of apparatus at *10¢ per airplane mile*, the services of Pan American's Communications Engineer and his assistants would also be struck out of the Pan American supervisory charge. I am attaching a draft of proposed resolution relating to Pan American supervisory charges.

Referring to paragraph four, I do not believe that the work of the Grace Agents on the West Coast, or, for that matter, any other agents of the Company in Argentine or elsewhere, should be directed in any way by W. R. Grace & Company here. Their agency activities before the Government should be directed, I believe, by the Executive Department of the Company. Their activities in clearing and fueling ships should be directed by the Operating Department of the Company. Their activities in the solicitation of traffic should be directed by the men in responsible charge of coordinating in the traffic solicitation activities of the Company. I believe, therefore, that Mr. Roig's services as Chairman, and as a member of the Executive Committee,

should be handled on a separate fee basis in proportion to the amount of time made available to the Company.

Referring to paragraph five, I believe that the Executive Committee and/or the full Board, should be in touch with all corporate activities.

With reference to paragraph six, it would be expected that Messrs. Trippe and Roig would be in more or less constant touch with each other and that both would receive copies of cables and important letters of every description.

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[fol. 162] With reference to paragraph seven, most certainly Mr. Harris should be asked to make a short trip to both New York and Miami, immediately after placing into effect the plan of organization. It should be understood, however, that the President of the Company would be held entirely responsible to the Executive Committee and Directors for the proper management of the Company and that Mr. Harris and all other employees should understand that there is one single directing head and not two or more directing heads.

With reference to paragraph eight, a budget should of course, be submitted by the President as soon as practicable and thereafter every six months. The budget would be developed after consultation with executives in charge of operations and other officials concerned. The Board will authorize such of these expenditures as they deem best, or such additional expenditures as they consider proper. No capital expenditures will be made except those so recommended and approved by the Board.

Referring to paragraph nine. The President will also submit, as soon as practicable after the installation of the plan of organization, a budget covering operating expenses and expended income for the ensuing three months period. I am of the opinion that the paper work involved in budgeting operating costs and incomes for periods shorter than three months, would cost more than the information would be worth either to the Directors, Executive Committee, or officials concerned. It might be well that an income and

expense budget for a six months period would be in order after the first few months, after a proper system of Company organization has been established.

Paragraph ten has to do with the financial control. My views have been covered under the separate memorandum on this subject, previously referred to.

In paragraph eleven, you refer to possible working arrangements in the Argentine. I am of the opinion that some arrangement should be worked out here and that both Pan American affiliated company Alas and Panagra would mutually benefit thereby. I believe that neither W. R. Grace & Company or Pan American should be expected to perform services outside of those covered by specific contracts.

In paragraph twelve, you suggest a fixed fee per month for both W. R. Grace and Pan American Airways, Inc. I suggest, for your consideration, a fee with set limits, as outlined in the Pan American supervisory service draft,

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[fol. 163] based on a definite yard stick—miles of route operated and ship miles flown in the case of Pan American, and on an agency basis with set fee plus commission, in the case of W. R. Grace & Company, as submitted in our draft last week.

Very truly yours,

/s/ J. T. T.

JTT:B

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April 10, 1930

MEMORANDUM FOR MR. ROIG:

In more than one instance, on matters of importance affecting both Pan American Airways and Pan American Grace Airways, the former, without consulting Pan American Grace Airways, have carried negotiations with the Post Office Department so far that it would have been difficult to have altered them.

As specific examples, I might cite the general reduction in airmail rates and the revised schedule. In respect to the former, an entire new rate schedule affecting not only mail to the United States and the Canal Zone, but also between foreign countries, was approved by the Post Office before Pan American Grace was consulted. My own opinion is that the rates from South America are too high, but it is naturally more to the interest of Pan American Airways to keep these rates high as they have to carry everything which we do plus whatever they accumulate en route. In respect to the schedule, it was of course necessary to make it connect with the various services of Pan American arriving at the Canal Zone from Brownsville and other points and, on the whole, I consider the schedule as established the satisfactory one. I doubt, however, if any real effort was made to prepare a schedule which would be helpful to Pan American Grace.

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JPC

[fol. 165]

GOVERNMENT'S EXHIBIT 52

EXHIBIT "J"

RELATIONS
PAN AMERICAN AIRWAYS AND PAN AMERICAN
GRACE AIRWAYS

At the meeting at Mr. Hoyt's home in January and subsequent meetings of the Directors, it was definitely agreed first the original policy of having Pan American Airways and W. R. Grace & Co. rendering each the maximum service of which they were capable at New York and in the countries traversed by the Pan American-Grace Airways should be pursued and developed.

After the meeting of January 10th at a conference between Messrs. Hoyt, Trippe, Whitney, Roig and Patchin, it was agreed that a change should be made in the executive management, that an agency contract with W. R. Grace & Co. and a definite arrangement made with Pan American Airways for technical and other services at New York should be immediately drawn.

Subsequently an alternative proposal was brought under discussion but about February 1st, Mr. Trippe was advised that this was unacceptable to Grace. Mr. Roig sought to advise Mr. Hoyt to the same effect only to find that he had left for the West Indies. Shortly thereafter Mr. Roig submitted to Mr. Trippe an agency contract for W. R. Grace & Co. to act as agents along lines discussed from the time when the Pan American-Grace Airways was organized. Mr. Trippe has submitted no comment or modification of this agency agreement, but last week submitted a counter proposal contemplating but little more than an option on the part of P. A. A. to avail of the services of the Grace organization when convenient and placing upon W. R. Grace & Co. the responsibility of governmental negotiations and regulations without giving Grace Houses any authority in

[fol. 166] the management of the company for whose interest it is expected to be responsible before the various governments.

During the last two months Pan American Airways has practically withheld service and cooperation in the following particulars:

RADIO—Mr. Trippe has declined to provide the Trans-Andine or other planes with Pan American Airways radios unless Pan American-Grace should agree to allow Pan American Airways to install and operate all radio communication throughout Route #9. He has failed to submit, upon request of other Directors of Pan American Airways, estimate of what such service would cost. He has stated that he was unwilling to put Pan American Airways radio sets in the planes because such sets could not possibly be operated satisfactorily without the entire system being installed by Pan American Airways. Several of the Governments have made it clear that they will not permit the installation of ground-sets by Pan American-Grace or anyone else in view of radio being a Government monopoly. Pan American Airways provided Lieutenants White and McMullen with a Pan American Airways set for use on their five day Newark-Buenos Aires flight. Lt. White has stated it gave good service and communication with various government radio stations down the West Coast. We are informed that Mr. Summers caused a Pan American Airways radio set to be installed in a Trans-Andine plane and that it maintained good communication with Buenos Aires throughout its flight. It has since been taken out by Mr. Summers.

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PAN AMERICAN AIRWAYS TECHNICAL AND ENGINEERING SERVICE—At the Directors meeting on January the desirability of having Mr. Priester make GR-11242

[fol. 167] a trip to the West Coast was discussed and there was general agreement that it would be a good plan. Mr. Trippe has since stated he would not let Mr. Priester pro-

ceed on such a journey unless there was some arrangement under which Pan American Airways would have definite authority over Pan American-Grace operations. Mr. Trippe has stated repeatedly that Messrs. Priester and Gledhill are in a practical state of revolt against rendering any service of more than routine character to Pan American-Grace and that it is difficult for him to get them to do anything.

INCREASED SERVICE ON THE WEST COAST—

Mr. Trippe told Mr. Patchin that he had told Mr. MacCracken of Nyrba that he, Trippe, would take no side in the controversy as to whether additional appropriations should be devoted to increasing the service on the West Coast to two trips a week or providing new service on the East Coast. He told Mr. Patchin he felt at entire liberty to work against the allocation of these appropriations to the West Coast because Pan American Airways has a 100% interest on the East Coast as against 50% on the West Coast. He has repeatedly stated that he could not support the effort to hold these appropriations to the West Coast because he would thereby seem hostile to the East Coast service. He has said that the alternative proposition he had made to Pan American-Grace to merge with Pan American Airways completely cleared his skirts of any blame in case he opposed the Post Office Department's declared intention to increase the service via the West Coast route. He has had frequent conversations with Mr. MacCracken who pointedly avoids discussion with anyone exclusively interested in Pan American-Grace. The whole burden of

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[fol. 168] supporting the increase of service on the West Coast has fallen on Grace Directors.

ACCOUNTS—Mr. Trippe has failed to comply with repeated requests to submit a bill for Pan American Airways services during the year 1929, although Mr. Patchin in accordance with the instructions of the Directors, has passed on all pending bills rendered by W. R. Grace & Co. and Pan American-Grace Airways. Although Pan American-

Grace has agreed to pay one-half of Mr. Summers salary and expenses chargeable to negotiations and representation in Argentina. Mr. Summers has apparently been subject to no restriction and his salary and expense account in the last part of 1929 was running at the rate of \$5,000 per month without adequate or convincing supporting details.

INEQUITABLE PROPOSALS—Mr. Trippe proposed to Mr. Patchin that Pan American-Grace should contribute an amount, not specified, to offset a supposed or anticipated loss to Pan American Airways in making direct flight across the Caribbean in order to shorten the through schedule. He also proposed to Mr. Patchin that Pan American-Grace should share a portion of the expenses of the East Coast trip of Mr. Rihl if the frequency of service on the West Coast should be increased but no charge should be made in case Pan American Airways should decide to work for the diversion of appropriations from the West Coast to the East Coast.

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[fol. 169]

GOVERNMENT'S EXHIBIT 53

April 22, 1930

MEMORANDUM FOR MR. IGLEHART:

**PAN AMERICAN-GRACE AIRWAYS
PLAN OF ORGANIZATION**

Paragraphs "3" and "4" of my memorandum provide in part as follows:

Paragraph "3"

"Mr. Trippe as President will be in responsible charge of operations including flying, equipment, maintenance, ground stations, and everything directly connected with flying".

Paragraph "4"

"Mr. Roig as Chairman, in addition to presiding at Directors' meetings, will be in general charge of the work of W. R. Grace & Co. as agents whose functions shall be as outlined in the form of agency contract submitted to Mr. Trippe on January 31, 1930".

In case the compromise plan is adopted, it would be very helpful if you in your talk with Mr. Hoyt can help to get him more fully aboard on the theory back of the two sentences above which constitute the heart of the whole plan. The essence of the plan is that Pan American's activity, through Trippe, is to be limited to the points mentioned in Paragraph "3" and that our activities are not to be limited to that of mere traffic agents but that we are to have general charge of the commercial end of the business in South America.

In other words, as I see it, if Trippe and I were partners in this business we would presumably divide the work be-

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[fol. 170] tween us by his taking charge of the flying end and I of the commercial end. This is what I think we should do under the proposed plan of organization, the only difference being that Trippe has back of him on the flying side the Pan American organization and I have back of me on the commercial side, the Grace Coast organization.

But this means that the Grace agency contract be in the nature of a partnership agency and not merely an employee agency. The same, of course, applies to the Pan American contract. The difficulty I have with Trippe is that he sees Pan American in the light of the *sole* owner of the business with W. R. Grace & Co. as an outside agent just as we might employ Boyd Brothers at the Canal Zone, for example, or Delfino in Buenos Aires. There is nothing in my plan at all unless there is a large element of mutuality

in it and unless it is carried out in a true partnership spirit, Trippe and myself being the personifications of the two owners of the business.

H. R.

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[fol. 171]

GOVERNMENT'S EXHIBIT 54

EXHIBIT "T"

April 22, 1930.

MEMORANDUM

PAN AMERICAN-GRACE AIRWAYS

Mr. Hoyt came down to see me today at my request.

I explained to him that after an absence of some months I found the discussions going on with his group regarding the Airways business were taking a course that might lead to confusion and were apparently not leading to any beneficial or practical results. I recalled the fact that he, in his first meeting with me, suggested that we should become partners in this business because, on the one hand, his group could contribute to it a knowledge of the air business, whereas our group could contribute a knowledge of South American business, and that working together we should be able to develop a successful enterprise.

I recalled the fact that in our second conversation he had stated to me that their theory of running a business was to select a competent man and put him in charge of the business and let him run it, giving him full support and full confidence. He said at that time that their theory was to give such a man not only a salary but also an interest in the profits. At the time I agreed to this policy and Mr. MacGregor was selected for the post of General Manager. I stated that Mr. MacGregor for one reason or another had made a failure, and Mr. Hoyt attributed this to a swelled head.

I told him that I thought we ought to endeavour to find a man to take Mr. MacGregor's place and he suggested that we should bring up Harris and look him over as to fitness for the post. I told him I agreed to this provided it was understood that if we found him competent, we would put him in charge and let him determine to what extent he could use the services of Pan American Airways and what was a reasonable compensation for those services, in the same way that he was to decide to what extent he could use W. R. Grace & Co.'s services in South America and to determine what a reasonable compensation for these services was.

Mr. Hoyt then referred to the memorandum which Mr. Roig had drawn up as to a modus operandi. I replied that Mr. Roig's plan in principle was perfectly sound, but it involved the two partners working in complete harmony and that up to the present time they had not been able to do this. He replied that Mr. Trippe is a very difficult man to deal with, but that he is competent and that he felt that, if we could arrive at a basis, that Mr. Trippe, once having accepted that basis, would not be difficult to deal with.

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[fol. 172] I explained I felt that we ran against a fundamental difficulty due to the fact that Mr. Trippe conceived of the Pan American-Grace Airways as a mere department or subsidiary of Pan American Airways and that he looked upon it in the same way as he looked upon his Mexican service or his Caribbean service, and would not be satisfied unless he dominated the business in the same way that he dominated them. Mr. Hoyt replied that Mr. Trippe was under this misconception, and that this point would have to be cleared, but he thought it might be cleared by bringing Harris up here and having him, in case we decided him to be competent, undertake the more or less independent administration of the business, using Mr. Roig's suggested basis of direction. I told him that I rather feared it would be difficult to work out Mr. Roig's basis in practice, as it seemed that to get Mr. Trippe to agree to the exact spirit

of an agreement was seeking a millennium. I told Mr. Hoyt, however, that if he felt this could be worked out, by having Mr. Harris come up here, I was entirely agreeable to doing so, but that I wanted to have it clearly established that whatever arrangement was worked out for the administration of the business, it was to be an independent administration and in no sense to be a department of their business any more than it was a department of ours. Mr. Hoyt agreed definitely to this understanding.

In leaving, Mr. Hoyt stated that he had been discussing with Curtiss the idea of taking over their interest in the Faucett business.

Inglehart

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[fol. 173]

GOVERNMENT'S EXHIBIT 55

EXHIBIT "U"

April 28, 1930.

MEMORANDUM

PAN AMERICAN-GRACE AIRWAYS

Mr. Hoyt telephoned to me today stating that he wanted to see me, and came down at 2.30 p.m.

He said that, after our conversation of April 22nd, he saw Mr. Trippe at once and told him of our tentative understanding. Mr. Trippe was very much upset and claimed that Hoyt was interfering and that if he had left him (Trippe) alone he would have been able to work out with Roig in two hours that afternoon a definite understanding based on Roig's memorandum that would have been quite practicable of carrying out. Hoyt replied to him that even if he (Trippe) had reached such an understanding, I would not have agreed to it for two fundamental reasons.

1) I was definitely opposed to dual management, particularly in view of the fact that the two elements that composed it had not up to the present time been able to work in the close harmony in which two successful partners must necessarily work.

2) I was definitely opposed to Pan American-Grace Airways being run as a department of Pan American Airways.

Trippe replied that he felt that he at least should have been given an opportunity to place his case before me and he was satisfied that he would have convinced me of the merit of it. Hoyt suggested then that he (Trippe) should come down and see me at once, but Trippe advised that, as he was sailing for Europe, this was impossible and that he would like to have the matter left until his return.

I made it clear to Mr. Hoyt that Trippe's contention that he would have reached a basis of understanding with Roig in two hours and that this understanding would have been a practical basis of operation, was entirely erroneous, and, although Hoyt did not definitely state so, he gave me the impression that he entirely agreed with me.

I explained to Hoyt that all of my dealings had been with him, that I wanted to continue my dealings with him; furthermore, that my one conversation with Trippe had given me the impression that it was quite an impractical thing for me to start any negotiations with him. Hoyt sympathized with this view, but said that he thought it would help in reaching an understanding if I would at least give

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[fol. 174] an hour or half an hour of my time to listen to Trippe's story, and then stating in a pleasant but very determined way the attitude that we propose to take. He said that he thought if I did this, they would be able to bring Trippe into line. I told him that I was willing to do this on one definite understanding and that is that my future dealings are to be with him, i.e. Hoyt, and that he would assume the task of getting his associates into line with whatever policy we agreed upon.

I explained to him that while interminable and futile discussions were going on, the business was not being managed, and I told him that our Houses on the Coast have not as yet really begun to contribute to the success of the enterprise the effort that we had agreed to exert when we originally undertook the business with him. I told him I had great confidence in the future of this business, but that it must be managed and that we could not afford to delay even another week in beginning an effort to gradually throw about the business the men and the influences necessary to push it ahead. I explained to him that I had suggested to Mr. Roig this morning that he should go down to the Coast at once and begin to study the business at close range to form a definite opinion of Harris and his work, to study the opportunities for building up the business and controlling it, and prepare a plan for getting all of our Houses to working in close synchronism with the management of the business; and, I suggested that he (Hoyt) should name someone from his organization to accompany Mr. Roig on the understanding that they were to work out a plan which, though not definite, would in practice be confirmed on their return to New York. He said that he did not know who he could send and feared that if he suggested to Trippe that they should send someone, he would object or he would give instructions to that man as to what plan he was to lay out and would tie his hands to such an extent as to make the success of the trip impractical. He said that the only man who might go down with a free hand was Whitney, but that he was inexperienced and would probably have to take a competent man with him. I suggested that he should consider this idea as I was afraid that even after Trippe's return, discussion would go on for a long time before a definite understanding was reached and that it meant a great prejudice to the business to lose this time, and that it was very dangerous to the business to allow it to continue in its present loose administration. He said that he would talk the matter over with Whitney at once and see whether anything practical could be worked out regarding my suggestion.

Inglehart

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[fol. 175]

GOVERNMENT'S EXHIBIT 56

SANTIAGO, 18th. August 1930

MEMORANDUM TO ALL CONCERNED

All general policies with regard to PAN AMERICAN GRACE AIRWAYS INC. are determined in our New York office and are enunciated either direct by Mr. MacGregor or through the undersigned in Lima. As far as possible the local divisions will have a free hand in working out their local problems, based on the general policies laid down by New York.

In order to definitely provide for the proper allocation of local responsibilities and duties as well as to reduce to a minimum any questions which may arise, the following duties and responsibilities are allocated to the companies and persons connected with PAN AMERICAN GRACE AIRWAYS, INC. organization operating in Chile:

W. R. Grace & Co. will be responsible for the following local functions:

- 1) Agencies and representations
- 2) Negotiations
- 3) Traffic, including mail, cargo and passengers
(When carried)
- 4) Advertising
- 5) Purchases, including checking of presupuestos
- 6) Accounts, including checking and payment of all income and expenditures
- 7) Legal representation, including^{ee}
 - a) Registration of PAN AMERICAN GRACE AIRWAYS INC. to do business in Chile, if necessary
 - b) Determination of Governmental fees and taxes
- 8) Employment of personnel except operations personnel.
- 9) Securing of requisite office space, furniture and office personnel where necessary.

- 10) Cables, telegrams and telephones.
- 11) Distributing all PAN AMERICAN GRACE AIRWAYS INC correspondence and checking to make sure that *all* correspondence is promptly answered with copies to all concerned.
- 12) All local insurance
- 13) Movements of aircraft, except test flights

The necessary personnel will, for the carrying out of these functions, be employed by W. R. Grace & Co. for the account of PAN AMERICAN GRACE AIRWAYS, INC. Such employees will be under the direct supervision and control of a Grace representative having Power of Attorney for PAN AMERICAN GRACE AIRWAYS INC. Up to 50% of this representative's salary will be payable by PAN AMERICAN GRACE AIRWAYS INC. to W. R. Grace & Co. for his work in charge of the various functions allocated to W. R. Grace & Co.

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W455

[fol. 176] PAN AMERICAN GRACE AIRWAYS INC. will be responsible for:

- 1) Operation and maintenance of aircraft and motors.
- 2) Spare parts and supplies
- 3) Operation and maintenance of PAN AMERICAN GRACE AIRWAYS INC automobiles
- 4) Care of hangars, both of PAN AMERICAN GRACE AIRWAYS INC and/or rented ones.
- 5) Efficiency of aircraft movement
- 6) Employment of operating personnel
- 7) Efficiency of operating personnel
- 8) Appearance and conduct of pilots and flight mechanics while on duty
- 9) Proper maintenance of all operations reports and record and prompt forwarding of necessary operations reports to all concerned

10)

PAN AMERICAN GRACE AIRWAYS INC personnel will at all times maintain complete co-operation with W. R.

Grace & Co. employees or representatives engaged in PAN AMERICAN GRACE AIRWAYS INC. work.

It will be the duty of both PAN AMERICAN GRACE AIRWAYS INC employees and W. R. Grace & Co. employees to report in writing to PAN AMERICAN GRACE AIRWAYS, INC., New York, with copies to PANAIR, New York, W. R. Grace & Co., New York and the undersigned in Lima, a weekly summary of the general situation as regards PAN AMERICAN GRACE AIRWAYS INC interests, activities and plans. There will also be reported any points of discussion or differences of opinion on questions of policy on any other questions that may arise in the minds of any one group with regard to the functioning of the other group. Since neither organization has control of the other, the best way to further the interests of PAN AMERICAN GRACE AIRWAYS INC, with the minimum friction is to attempt to visualize the problem presented by the general situation (including international as well as local problems) and to co-operate in every way possible in order that the PAN AMERICAN GRACE AIRWAYS INC may become a self-supporting organization based upon a solid economic foundation.

PAN AMERICAN-GRACE AIRWAYS, INC.

H. R. Harris
Vice President

W455

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[fol. 177]

GOVERNMENT'S EXHIBIT 57

LETTER NO. —2—

W. R. Grace & Co. New York

ORIGINAL AIR MAIL LETTER

Regular Mail Copy Follows

New York, September 25th, 1930

H. J. Roig Esq.
Pan American-Grace Airways Inc.
Lima, Peru.

Dear Roig:

Met with Trippe September 22nd to discuss the bills, but made little progress, and this will be continued Friday when we will also have a meeting on the Chilean situation.

Trippe led the conversation to management arguing that PanAir should take over the administration of Panagra in the interest of economy, avoidance of duplicate effort etc., etc. I replied we considered the question settled when the separate company was organized and that the results which were now leaving a profit proved that method the most satisfactory and economical. I pointed out that on this basis the enterprise promised to be permanently successful which was its object, but that with the present costs of PanAir, being substantially higher than Panagra, the results would be disastrous. You can imagine his line of argument against this, namely, that the Panagra results were due to inadequate organization and operating standards, including lack of radio. When I replied that the satisfactory performance of all divisions except the trans-Andean in bad months proved that operating standards could not be so faulty as he alleged, he said that "Washington" was concerned over the general conditions of the service on Route #9.

I replied this was surprising because none of the many officials with whom I had frequently discussed the service had made any complaints whatever, on the contrary, the

Post Office Department seemed quite well satisfied. I pressed him to be specific. After a number of general statements he stated that Clarence Young, whom he saw last week, had expressed himself very strongly, alleging inadequate operating standards and stating that some of the inspectors had asked to be relieved of the responsibility of passing on the equipment. (I suppose this refers to Wooten). I told Trippe much of this was doubtless the result of unfavorable atmosphere created by Nyrba and others, including some in PanAir, that such conditions as might be justly complained of were rapidly being remedied and that this was one reason why you had wished him or Whitney to go to the West Coast with you and why, long ago, we had wanted Priester or himself to go for the purpose of inspection.

This conversation went on for some time, pleasantly enough, but without producing anything else new. To me it indicated the usual effort to push things along toward Trippe's never forgotten goal but I made clear that our attitude was entirely unchanged.

As MacGregor saw Young at Washington last week I asked him what Young said about our service. MacG. replied that Young said he had some reports which were unfavorable, whereupon MacG. explained the situation as fully as he could, emphasizing the performance record and stating that Panagra "Had never had an engine failure." He said he thought he left Young satisfied, particularly as he designated Cole to be Department's inspector of our equipment.

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[fol. 178] While this solves the difficulty of getting inspection it seems to me it might possibly be awkward in case of controversy arising from any serious accident.

MacGregor says that Cole has been sending in substantial requests for supplies. Cogswell says Panagra has \$50,000. worth of spare parts, tools, etc. in Lima alone ex-

clusive of motors. Certainly the plane and motor equipment is ample as I calculate the planes are averaging less than two flying hours per day.

I think Panagra management ought finally to refute the haywire reproach by assembling at the New York Office evidence in contradiction of disparaging statements and generalities that are false and by correcting any conditions that may be at fault; I suggested to MacGregor that he submit a performance report to the next Board Meeting showing how well the schedule has been maintained.

While the New York Office has photographs of the planes, it would be well to have some more showing planes arriving and departing from landing fields, the embarkation of passengers, new hangars in course of construction and anything else that shows progress in the provision of facilities. Photographs of the pilots and mechanics in uniform would make a good impression. Mr. MacG. says that an artist who recently went over the line spoke very highly of the attention given the passengers by the stewards on the Fords. Photographs of our store house showing the spare motors and parts would be useful. Duplicates of the literature and posters already sent here I can use to advantage in Washington.

Trippe said he had heard reports that we were considering selling our interest in Panagra and referred to a remark you made about our having an inquiry from a possible buyer. Also, "Didn't I think" that each side ought to give the other the first call in case of an opportunity to sell. I replied that, in general, I thought one's partner ought to have prior consideration. He said he thought there ought to be an agreement to this effect and I said that a hard and fast option was something else again on which I could express no opinion.

We are having a Directors' Meeting tomorrow to consider the Chilean situation. Trippe said he thought that Bihl, if given the opportunity, could work out a very much better settlement in Chile.

I hope we will make some progress with the bills before you get to Chile, if not, I will bring them up in the next following Directors' Meeting and request that the Directors as a committee of the whole dispose of them.

We are obtaining letters from various prominent patrons of Panagra testifying to the usefulness of the service to their business. Similar letters from Americans and others interested in South America would be helpful. Mr. Van Deusen of the Banco Central of Chile told me this week that the Vice President in charge of the National City Branches in South America is moving his headquarters to New York as he finds he can better supervise them from here with the air mail and the telephone. West India Oil Co. says air mail is a wonderful help to their business. We are endeavoring to make up an impressive record with such letters.

Very truly yours,

/s/ R. H. PATCHIN

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G 1008

[fol. 179]

GOVERNMENT'S EXHIBIT 58

1930

Under date of August 13, 1928 Mr. Trippe submitted the attached Draft Memorandum on West Coast Operations (Exhibit A).

Under date of August 31, 1928 we wrote Pan American Airways, Inc. as per letter, copy attached (Exhibit B). Subsequent correspondence modified this to the extent that if we did not take at least 10% of the stock of the new company our interest in the venture would be in the form of stock of Aviation Corporation of the Americas.

On September 4, 1928 Peruvian Airways Corporation was formed. About the middle of September, 1928 Mr. Harris, Vice President and General Manager of Peruvian

Airways Corporation, left for Peru to commence service there.

About this time Mr. Trippe submitted a "Preliminary Estimate of Proposed Airline Services between Cristobal, P.C.Z., and Valparaiso, Chile" as a West Coast division of Pan American Airways, Inc. System. This showed, on a three times weekly service, a capital investment of \$1,689,990 and annual operating costs of \$1,971,900, or \$1.69 a mile. Copy of the portion of such estimate for "Executive and General Expense" is hereto annexed (Exhibit C).

Pan American-Grace Airways, Inc. was incorporated on January 25, 1929 under the name of South American Airways Corporation, the name being changed on February 21, 1929 before the company commenced business. Messrs. Patchin and Trippe were elected Vice Presidents, Mr. Cogswell Secretary and Mr. Caine Treasurer.

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[fol. 180] On April 3rd, 1929 Mr. Iglehart had a conference with Mr. Hoyt relative to the employment of Mr. MacGregor and his management of the line. Memorandum of conference is attached and marked Exhibit C-1. On April 8, 1929 Mr. MacGregor was elected Vice President and General Manager, Mr. Harris Vice President and Mr. Jacob Assistant Vice President. On April 23rd Mr. Vidal was elected Comptroller. Immediately following the election of Mr. MacGregor the following cable was sent to Mr. Harris:

"Following for Harris from directors Pan American Grace Airways Inc. we have appointed J D MacGregor executive head of Pan American Grace Airways Inc. with title Vice President and General Manager and headquarters New York J D MacGregor retires from Pan American Airways to accept this position sentence as mark appreciation your highly satisfactory service directors appoint you Vice President Pan American Grace Airways Inc. and increase your salary to \$12,000 per year sentence J D MacGregor will reach

Cristobal about end of April and will wish to confer with you there sentence our intention you take charge of flight operations sentence it might become advisable you be stationed canal zone in that case have you in Peru anyone capable act as flight superintendent Peruvian Airways Corporation under your supervision from Cristobal"

After his election it was determined that Mr. MacGregor should make a trip to South America and before going he submitted to the Directors the annexed memorandums (Exhibits D and E).

In May, 1929 we prepared drafts of agreements with Panair and W. R. Grace & Co., as per Exhibits F and G, but there is no record of their having been submitted to Panair. As the agreement with W. R. Grace & Co. was to be used for discussion with the West Coast Houses, it presumably was not submitted to Panair.

Mr. MacGregor left for South America in May, 1929 GR-11211

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[fol. 181] and returned at the end of the year. On January 6, 1930 he submitted an estimated budget for the year 1930 with written report based thereon. Extracts of such report in reference to services of W. R. Grace & Co. and Pan American Airways, Inc. are annexed (Exhibit H). At a conference at Mr. Hoyt's house in the evening the principal discussion was as to the authority of the Grace Houses, Mr. Trippe taking the position that they should have nothing to do with operations and further that a separate organization on the coast was necessary. At this meeting it was definitely agreed that the original policy of having Pan American Airways and W. R. Grace & Co. rendering each the maximum service of which they were capable at New York and in the countries traversed by Pan American-Grace Airways, should be pursued and developed. Under date of January 18, 1930 Mr. Roig sent Mr. Hoyt a tentative chart of organization which gave the agents no control over flying operations (Exhibit I).

Subsequently, at a meeting between Messrs. Roig, Patchin, Hoyt, Trippe and Whitney, it was agreed that a change should be made in the executive management; that an agency contract with W. R. Grace & Co. and a definite arrangement with Pan American Airways for technical and other services at New York should be immediately drawn. See Mr. Patchin's memorandum "Relations Pan American Airways, Inc. and Pan American-Grace Airways, Inc. (Exhibit J) which was made about April 15th, 1930.

Under date of January 31, 1930 Mr. Roig wrote Mr. Trippe enclosing proposed W. R. Grace & Co. agency agreement as per Exhibit K.
GR-11212

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[fol. 182] Shortly thereafter Mr. Trippe suggested that the capital of the corporation be increased to \$2,500,000 and that Panagra be run as a division of Panair. Mr. Trippe was advised that this was unsatisfactory.

Letter from Mr. Roig to Mr. Iglehart of March 4th, 1930 (Exhibit L) outlines the situation at this time.

Under date of March 5th, 1930, Mr. Roig wrote Mr. Trippe enclosing memorandum of plan of organization (Exhibit M). Under date of April 9th, 1930 Mr. Trippe wrote Mr. Roig as per Exhibit N. The various papers referred to in this letter are annexed and marked as follows:

Exhibit O—Informal memorandum in connection with draft of reorganization.

Exhibit P—Draft of proposed agreement between Pan American Airways and Panagra for supervisory services.

Exhibit Q—Draft of ideas of agency agreement covering the West Coast.

Exhibit R—Supplemental memorandum covering ideas of method of financial control and accounting procedure.

**Exhibit S—Comparison of cost of Grace agency fees
and cost of similar services as rendered
under Panair operations.**

On April 22nd, 1930 Mr. Iglehart had a conference with Mr. Hoyt in which it was agreed that the administration of the business should be independent and in no sense a department of either W. R. Grace & Co. or Pan American Airways, Inc. Memorandum of conference is attached and marked Exhibit T.

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[fol. 183] On April 28, 1930 Mr. Iglehart had a further conference with Mr. Hoyt as per memorandum attached (Exhibit U).

In the summer of 1930 Mr. Harris spent several weeks in this country but no important changes in the organization were agreed upon as a result thereof.

On September 15, 1930 Panair purchased certain assets of the Nyrba. It was distinctly understood while the negotiations leading up to this purchase were in process that Pan American-Grace Airways were not to be committed in any way without specific authorization by its Board of Directors.

In September, 1930 Mr. Roig left for the West Coast, returning in January. The principal question under consideration by the Board during this period and until January 30, 1931 was the Chilean concession.

On February 2nd, 1931 Mr. Roig sent Mr. MacGregor draft of agency agreement covering services of Grace y Cia. in Chile (Exhibit V).

GR-11214

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GOVERNMENT'S EXHIBIT 59

January 27, 1931

MEMORANDUM FOR MR. MACGREGOR:

GRACE AGENCY CONTRACT

Although we have now been operating for two years, there has never been any agency agreement between Panagra and our West Coast Houses. In the light of our actual experience it ought now to be possible to agree upon mutually satisfactory terms.

The attached draft covers proposed agreement for Chile only but can, of course, serve as a model for the other countries. The draft follows in general the same form as the agency agreement made with Pan American Airways in Buenos Aires except that it covers the following additional services:

1. Pan American's agency contract applies to the single city of Buenos Aires. The Chile contract includes not only Santiago but the stops at Ovalle, Antofagasta and Arica as well. Additionally, it includes supervision of the accounts of the Buenos Aires and Montevideo agencies which respond in the first instance to the Santiago office and in the nature of the case a somewhat more extended administrative job.
2. The Chile contract includes legal services and Government negotiations neither of which is included in the Pan American agreement.
3. The Chile agreement covers an airline 1,800 miles long (including the Santiago/Montevideo division) whereas the Pan American contract is applicable over a distance of only 800 miles even including the run to Montevideo. In the section east of the Andes we have three stops only one of which (Montevideo) is an overnight stop, in Chile we have four stops of which two are overnight. In the section east of the

Andes we have separate agents who have to be paid separately at two (Mendoza and Montevideo) of the three stops. Moreover, both Santiago and Arica are points where planes from two divisions meet so that

1-10-55 F

GR-8781

[fol. 185] the handling involves not merely that of a through plane but that of termini for two planes.

4. In both contracts sub-agents are placed at the service of Panagra in the sale of passages but Pan American has no sub-agents whereas we have them throughout the whole of Chile.

The fee has been arrived at as follows:

Present Panagra personnel to be taken over by W. R. Grace & Co.	\$ 7,400.—
Rent Santiago office (front space on first floor in place of present space)	2,500.—
Manager	5,000.—
Three agencies. (Ovalle, Antofagasta and Arica) at the rate of \$12.50 per plane for overnight stops and \$10. per plane other stops	6,760.—
Legal and general supervision	5,000.—
	<hr/> \$26,660.—
Or say, per month	\$ 2,250.—

GR-8782

G049707

[fol. 186]

GOVERNMENT'S EXHIBIT 60

PERSONAL

NEW YORK,
March 21, 1931.Mr. H. R. Harris,
Lima, Peru.

My dear H. R.:

In anticipation of a strenuous kick from you because you received no official letters from me this airmail, I am writing this little note to tell you that I have been in a tail spin, and simply couldn't get to it.

I have been busy every day trying to reconcile conflicting views of the Directors with regard to present and future policy. Pan American Airways wishes to spend money ahead of results. Grace wishes to get the income before spending it. Pan American feel we should place multi-motored equipment, radio equipped, along the whole line at once. Grace wishes to do it by sections. Pan American wish to start passenger service over the entire line and put in passenger stations and hangars. They say that, granted we do not own the fields, we can make a deal with the Governments and put in facilities on Government owned fields on some kind of a basis.

The fundamental difference in the view-point of the two stockholders, apart from the above, is whether the Post Office, if we do not put in these facilities, will curtail the service and the frequency. Pan American insist that they will. Grace is not willing to allow that contention.

I think you will agree with me that there is something to be said on both sides. Pan American have thoroughly sold

38

PAG-W 75

9/30/54

W 678

JPC 3

[fol. 187] their service to the Post Office and to President Hoover, on the basis of a large investment. Panair does

not propose to insist that we make a similar investment, but they do insist that we put in something, which, all along the entire route, would be an evidence of our willingness to co-operate with the American Government in establishing a service which would be a monument to American initiative, skill and forethought.

This letter is very sketchy, but you can readily see how divergent the views are, and the greater the delay, the wider the divergence.

At the last meeting of the Board of Directors, I was requested to prepare a program and estimate of facilities which I would consider necessary to carry out the Panair program. I made it very plain that my program would be without relation to the present cash position or to our capital structure, and that whatever amount I arrived at might be very greatly increased through the fact that where it is necessary to build facilities on Government property, the plans have to be approved by the Government, and the Government's ideas would naturally tend to the installation of facilities very much more elaborate than we, as a Corporation, would consider necessary. However, I shall make a stab at preparing something for them on the basis that we put hangars at overnight stops and passenger stations at regular stops (excluding flag stops) and see what the figures look like.

If you have any suggestions, wire me privately to White Plains, on receipt of this letter, as I would not wish the letter drawn to our Directors' attention by mention in a Company cable.

Very truly yours,

J. D. MacGregor.

JDM/Q

W 678

PAG-W 76

4

[fol. 188]

GOVERNMENT'S EXHIBIT 61

ORIGINAL AIR MAIL LETTER

Copy Follows By Steamer

Harold R. Harris
Enroute Antofagasta
August 29, 1931

Mr. MacGregor, New York

USE OF PANAIR EMPLOYEES

As I told you over the phone Captain Roy Odell, Chief Airport Engineer of Panair, was in Buenos Aires during my stay there. I was able to get quite a good deal of information from Odell including the complete supervision of the final plans submitted for the Buenos Aires hangar. The hangar contract was almost entirely dictated by Odell and he made a number of interesting and important observations with regard to this and similar buildings.

Odell would have come north with me over the Panagra route if Rihl had not been afraid that Trippe would be angry at our use of a Panair expert's services without first securing his personal authorization. I do not know what the answer to a thing of that sort is. I am sure it has given you many headaches. It strikes me that if possible we should arrange with Panair to take advantage of their experts on some sort of a cost plus basis. I do not believe you have ever told me what your deal with Zalduondo is but it seems to me that we might make similar deals for other Panair employees in the same way that we used Laidlaw.

/s/ H. R. HARRIS

Harold R. Harris

HRH:CBR

PAG-W142

9/30/54

J.P.C.

W.667

[fol. 189]

GOVERNMENT'S EXHIBIT 62

RICHARD F. HOYT

25 Broad Street
New York City

August 17, 1928.

Mr. Juan Trippe,
Pan-American Airways, Inc.,
100 E. 42nd Street,
New York City.

Dear Juan:

My understanding of our arrangement with the Grace Line is that it is only to cover the South American route from Colon down the west coast, but I notice in the memo. you have submitted to them you include operations in Colombia.

Sincerely,

(Sgd.) Dick

RFH-W

[fol. 190]

GOVERNMENT'S EXHIBIT 63

copy of cable from Panagra referred to in annex ' letter
#63

TO PAN AMERICAN GRACE AIRWAYS INC
SANTIAGO

#106 DATED 10/18/29

#12635

- 1 #106 OF FRIDAY REFG. YOUR #85
- 2 PANAIR AND
- 3 WE AGREED THEY SHOULD
- 4 HANDLE ALL
- 5 PURELY DOMESTIC
- 6 BUSINESS ARGENTINE

7 AND PANAIR
8 ORGANIZED ALAS
9 FOR THAT PURPOSE
10 SENTENCE ENDS HOWEVER
11 PANAIR AND
12 OURSELVES IN ACCORD WITH
13 THAT WE INSTITUTE
14 LOCAL TRANSPORTATION
15 BUSINESS ON
16 INTERNATIONAL MAIL LINE
17 SENTENCE ENDS WE CONSIDER
18 SHOULD COMMENCE
19 CARRY PASSENGERS
20 AS SOON AS POSSIBLE BETWEEN
21 MENDOZA (ARGENTINE) BUENOS AIRES
22 AND INTERMEDIATE
23 POINTS AND SHOULD
24 STUDY ADVISABILITY (OF)
25 RUNNING EXTRA
26 TRIP WITH
27 FORD BETWEEN — AND —
28 MENDOZA (ARG.) BUENOS AIRES
29 MIDDLE (OF) WEEK
30 REFG. YOUR #90
31 WILL REPLY AS SOON AS POSSIBLE
32 IN THE MEANTIME ARRANGE
33 WITHHOLD MAHAN
34 REPORT SENTENCE ENDS
\$37 PER SHARE

[fol. 191]

GOVERNMENT'S EXHIBIT 64

J.D.M. Series #63

New York
 November 14, 1929
 Excerpt (P2)

Mr. J. D. MacGregor,
 Pan American-Grace Airways, Inc.,
 c/o W. R. Grace & Co.,
 Lima, Peru

Dear Mr. MacGregor:

In reply to the enquiry in your letter #16 in reference to the joint activities of ourselves and the Pan American Airways, in the Argentine, you have received our cable in which we outlined the general agreement between the two Companies on this matter. The understanding is that we will have the through route and any local business in connection with the operation thereof. Pan American Airways, on the other hand, through their subsidiary, Wings, will carry on all local business not in connection with the operation of the through route. This, of course, is a broad statement of the general understanding, and specific instances will have to be settled as they come up.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

Secretary.

WFC:Q

[fol. 192]

GOVERNMENT'S EXHIBIT 65

PAN AMERICAN-GRACE AIRWAYS, INC.

ACQUISITION INTEREST IN BOLIVIAN COMPANY

1. The capital of Pan American-Grace is not sufficient to permit of its investment of approximately one-third thereof in the acquisition of a 51% interest in a small company operating in the interior of Bolivia.

2. In my opinion, this company is not of sufficient value to make it worthwhile considering increasing our capital in order to acquire it because:

- (a) Its concession and subsidy, whatever they may be worth, have only about a year and a half to run and even with these advantages, they are only showing results by providing inadequate depreciation and otherwise forcing their figures.
- (b) When this concession and subsidy run out they will probably have nothing of interest to our operations which we cannot acquire directly for less cost at such time, if ever, as it suited us to do so.
- (c) The question of connecting this interior service with the West Coast by air appears to present serious difficulties.
- (d) The purchase is of little value to us or anyone else as a means of reaching the Argentine.

3. The policy of attempting to maintain a monopoly by purchasing inconsequential services at extravagant prices, merely to prevent their falling into the hands of competitors, is not, in my opinion, sound. I do not see how we can ever hope to continue buying off such competitors. It is too easy to set up in this business to make this course practical and the capital diverted in the purchase of competition at fancy prices will be far better employed in beating competition in actual operations. I

GR-2113

11-4-54

RLA

6013359

[fol. 193] think that we are always going to have a certain amount of competition but in combatting it we have the important advantage of our mail subsidy and will have, in my opinion, an added advantage if our competitors acquire their facilities on any such basis as that proposed in connection with this Bolivian company. The risk of disaster from over extension of our capital and operating ability is far greater than that from unsubsidized and overcapitalized competition.

4. Bolivia is a West Coast country and accordingly comes within the sphere of operations of Pan American-Grace. That company's through service is, accordingly, entitled to secure as much of the Bolivian business as possible and to make traffic arrangements to that end compatible with its financial and other limitations. For Pan American, therefore, to buy this Bolivian company with a view to diverting traffic to the East Coast is not, in my opinion, correct and is in effect setting up direct competition with Pan American-Grace. For Pan American to acquire the company in this connection giving Pan American-Grace an option to repurchase at cost does not cure the situation. It merely tends to force the hand of Pan American-Grace.

5. Pan American-Grace should endeavor to make some working arrangement with this Bolivian company for exchange of traffic and if necessary or desirable to that end, purchase a small block of stock in order to secure a seat in the company's Board.

GR-2114

May 23, 1929.

6013360

[fol. 194]

GOVERNMENT'S EXHIBIT 66

PAN AMERICAN-GRACE AIRWAYS, INC.
122 EAST 42nd STREET NEW YORK, N.Y.

NEW YORK

September 12, 1930.

Memorandum to:

Mr. J. T. Trippe, President,
Pan-American Airways, Inc.,
New York City.

I am in receipt of the following cable from Mr. Metzner at Valparaiso:

" "Alas" plane apparently making trip Mendoza/Chile daily. We understand Bradley, Secretary Civil Aviation, Argentine, Manager of Alas, coming Chile next Saturday.

that is September 13th, to get a concession from Chilean Government. We understand they (Alas) have been subjected to continuous fines beginning with first trip."

In conversation with you some weeks ago, I understood you to say that NYRBA would ask for a cancellation of its contract with the Chilean Government, and that the route between Santiago and Buenos Aires and Montevideo would be left free for Panagra.

It would seem from the above cable that Alas planes are making frequent trips to Santiago. It may, of course, very readily be that until September 15th Alas is complying with obligations incurred by NYRBA. I thought it well, however, to draw this matter to your personal attention in the hope that you would confirm the intention of Pan American Airways, Inc. not to compete with Panagra between Santiago and the Uruguayan and Argentine Republics.

PAN AMERICAN-GRACE AIRWAYS, INC.

(sgd.) J. D. MacGREGOR

J. D. MacGregor.

JDM/Q

PAA-5707

3/3/55

JPC

W99C

[fol. 195]

GOVERNMENT'S EXHIBIT 67

COPY

CABLEGRAM TO BUENOSAIRE, ARGENTINE

(INCONFIDENTIAL CODE)

Dated Sept. 13, 1930.

PANAIR

BUENOSAIRE, ARGENTINE

TWOHUNDREDEIGHT: IT IS REPORTED ALAS HAS MADE SEVERAL TRIPS SANTIAGO STOP AS

SOME FLIGHTS MADE IN CONNECTION CANCEL-
 LATION NYRBA URUGUAY ARGENTINE MAIL
 CONTRACTS TO CHILE STOP CONFIRMING PRE-
 VIOUS ADVICES AGREEMENT BETWEEN PAN-
 AMERICAN AIRWAYS AND PAN AMERICAN GRACE
 AIRWAYS PROHIBITS PANAMERICAN AIRWAYS
 OR ALAS OPERATING BUENOSAIREZ MENDOZA
 SANTIAGO LINE ALTHOUGH PERMITTED OPER-
 ATE ANY OTHER ROUTES EAST OF ANDES IN-
 CLUDING BUENOSAIREZ MONTEVIDEO STOP
 AGREEMENT LIKEWISE RESTRICTS PANAMER-
 ICAN GRACE AIRWAYS OPERATIONS EAST OF
 ANDES TO SANTIAGO MENDOZA BUENOSAIREZ
 MONTEVIDEO LINE CONFIRM RECEIPT

TRIPPE

NOTE: This wire sent at tele-
 phonic request of Mr. Cogswell
 and cleared through him before
 sending.

cc: MESSRS: TRIPPE
 WYMAN
 RIHL
 THACH
 YOUNG
 MACGREGOR
 WOODBRIDGE

W990

PAA-5710
 C

[fol. 196]

GOVERNMENT'S EXHIBIT 68

AIR MAIL COPY

M. Roig

Chieftan 208

to METZNER (Valparaíso) 9.13.30

1

Alas plane apparently making daily trip
Mendoza Chile etc.

2 for your information PanAir

3 advises-s know

4 nothing of and

5 do not approve they assume

6 operation-s may possibly

7 have arisen from a

8 contract Nyrba

9 had for

10 operation-s between

11 Uruguay and Chile

12 but they have

13 today cabled

14 Summers that they

15 have agreed with

16 Panagra that

17 Panair including

18 Alas shall not

19 operate between

20 Argentine and Chile

21 or Uruguay and

22 Chile keep us posted

Mr. Valverde

Mr. Patchin

GR-357

G 1010A

[fol. 197]

GOVERNMENT'S EXHIBIT 69

LETTER NO. 1

2.21B1

W. R. Grace & Co. New York

ORIGINAL AIR MAIL LETTERRegular Mail Copy Follows

September 16th, 1930.

Dear Roig:—

After your departure it took a couple of days to get in touch with Trippe regarding the situation created by the Alas invasion of Chile, but he finally sent a cable to Summers of which a copy is enclosed, and we sent a Grace private cable to Metzner advising him of the situation.

* * * * *

Very truly yours,

/s/ R. H. PATCHIN

H. J. Roig Esq., Vice President,
W. R. Grace & Co.,
Lima, Peru

G-1009

P.S.—As I will endeavor to keep you posted and informed on all important matters, I am starting a private letter series of which this is the first.

GR-355

[fol. 198]

GOVERNMENT'S EXHIBIT 70

HRH #581

NEW YORK,
September 17, 1930.

Mr. H. R. Harris, Vice President,
Pan American Grace Airways, Inc.,
New York

Dear Mr. Harris:

Referring to your letter #223 of September 11th on the subject of our representative in the Argentine, you may be sure that we have this question very much in mind.

The allocation of passenger traffic, to which you refer, as between Panagra, Panair and Alas, was settled by our Directors whilst I was in South America. We have exclusive right as between the two Companies to passengers between Buenos Aires and Mendoza, along our present route. Panair can compete with us between Buenos Aires and Montevideo only. Panair or Alas have the exclusive right to passenger service, as far as we are concerned, anywhere else in the Republic.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

J. D. MacGregor
Vice President & General Manager

JDM/Q

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[fol. 199]

GOVERNMENT'S EXHIBIT 71

Cable Address
All Offices
"Panagra"

PANAGRA⁴ Files
Pan American-Grace Airways Inc.

▷ Lima
Grace Bldg
Casilla 2488

LIMA, Sept. 18, 1930

Pan American-Grace Airways, Inc.
New York

JRH = 246
PAN AMERICAN-GRACE AIRWAYS, INC.
OCT 3, 1930
RECEIVED BY ORDINARY MAIL

Dear Sirs:

I am very much surprised to learn from Mr. Van Law that Summers sent a passenger, presumably paying, by our regular Fairchild from Buenos Aires to Mendoza. This was a Mr. Adams, South American representative of the Anglo-French bank. He was presumably a paying passenger for Panair between Mendoza and Santiago. I was also surprised to learn that Mr. Summers had apparently on his own responsibility started a passenger service between Mendoza and Santiago with a Nyrba Ford previous to the day on which the Nyrba assets were taken over by Panair. This Nyrba Ford was piloted by Pilot Lansing of Panair.

I again call to your attention the danger of allowing such conditions to exist in Argentine where there will inevitably arise a conflict between Panair and PANAGRA unless these conditions are corrected by a final assignment of the sections over which each organization will hold jurisdiction. I am sure that these matters have already been

brot to your attention and that you have taken the requisite action but I wish again to emphasize the situation.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS INC.

/s/ HAROLD R. HARRIS
Vice President

HRH/CBR

air mail copy
cc to Panair, N.Y. & Grace, N.Y.

138

330

[fol. 200]

GOVERNMENT'S EXHIBIT 72

221B1

SANTIAGO, 19th November, 1930.

R. H. Patchin Esq.,
W. R. Grace & Co.,
NEW YORK.

Dear Patchin,

P. A. A. Argentine Situation

Panamerican have no basis in the Argentine today, and even if they get the U. S. mail contract extension they will have no basis for their present layout there.

As partners in Panagra they should consider that they are already serving Argentine over the West Coast, and should retire from that field entirely, at least beyond Punta Alegre. This would not only be playing the game with their partners, but would be making money for themselves, instead of losing it at a frightful rate. Rihl sees this, but Triope will never see it until the loss has become so colossal that someone stops it. Happily this will not take long at the rate they are going, and if we can only keep the Post Office from extending the East Coast mail contract for say one more year it will be of very great value to our line. If they do not get the appropriation for the Fiscal

year beginning July 1st, next. I do not see how they can stand the pace of waiting another whole year, and they may become sane and quit.

Very truly yours,

/s/ Roig

GR-411

G-1025

Omit

HJR/Fl.

[fol. 201]

GOVERNMENT'S EXHIBIT 73

EXECUTIVE COMMITTEE

APRIL 8, 1931.

"A general discussion ensued relative to a possible conflict of interests with Pan American-Grace Airways, Inc. arising out of the fact that the United States Post Office Department, in the interests of the postal service, might decide to temporarily reduce service between Santiago and Montevideo under F. A. M. contract No. 9 held by Pan American-Grace Airways, Inc. from two trips per week each to one trip per week—providing for one trip per week between the United States, Argentine and Uruguay, via the west coast and a second trip per week between these points via the east coast. Mr. Trippe pointed out that the past understanding between this Company and W. R. Grace & Company at the time of the organization of Pan American-Grace Airways, Inc. contemplated that Pan American Airways, Inc. would operate along the east coast to Buenos Aires and that domestic service within Argentina with the exception of the route between Buenos Aires and Mendoza to Santiago, would be served by Pan American Airways, Inc.

Following a detailed discussion, at which the past agreements and understandings between this Company and W. R. Grace & Company were reviewed, a letter from this Company to Pan American-Grace Airways, Inc. was drafted. The letter, in addition to summarizing the past under-

standings and agreements, pointed out the possible conflict of interests between the two companies that might arise out of this Company's efforts to obtain support of a United States Post Office contract for the route between Santos and Buenos Aires, and also stated that Messrs. Hoyt, Trippe and Whitney, since they are directors of Pan American Airways, Inc., would refrain from influencing in any way the conduct of Pan American-Grace Airways, Inc., in respect to any matters in which there is a conflict of interest, but would, of course, attend any meeting of the Board of Directors of Pan American-Grace Airways, Inc., for the purpose of establishing a quorum, if requested to do so, but would refrain from voting.

[fol. 202] Upon motion, duly made, seconded and carried, such letter was approved and the President was authorized to forward same, and to send a copy to each representative of W. R. Grace & Co. on the Board of Directors of Pan American-Grace Airways, Inc., and a copy was ordered filed with the minutes of this meeting."

[fol. 203]

GOVERNMENT'S EXHIBIT 74

Office of the PAA
President

PAN AMERICAN AIRWAYS, INC.
General Offices — 122 East Forty-Second Street —
New York City

April 8, 1931.

Pan American-Grace Airways, Inc.,
122 East 42nd Street,
New York City.

Attention of Mr. John D. MacGregor,
Vice President and General Manager.

Dear Sirs:

Referring to our previous discussions, we wish to inform you that service on the route on the east coast of South

America between Santos and Buenos Aires, which was temporarily suspended to permit the rehabilitation of equipment after the acquisition by us of the assets of New York, Rio & Buenos Aires Line, Inc., will soon be resumed. In order to cover even the direct out-of-pocket expenses of operation between Santos and Buenos Aires, a United States postal contract is, of course, essential, and accordingly we are taking up with the United States Post Office Department the extension of our Contract No. 10 to Buenos Aires.

The contemplated extension of our service to Buenos Aires is in fulfillment of plans developed by us prior to the formation of your Company, and which have been assented to by W. R. Grace & Company and by your Company. The arrangement between Aviation Corporation of the Americas and W. R. Grace & Company, as a result of which your Company was formed, contemplated that the sphere of operation of your Company should be confined to the west coast of South America. When it was later decided that your operations should be extended over the Andes to Buenos Aires and Montevideo, it was understood by all parties that our Company was to retain full rights to operate air transport lines in the eastern or central part of South America; that Pan American, during the term of your United States mail contract, would use your services on the west coast of South America and your present Trans-Andean route to Buenos Aires, and, except between Buenos Aires and Montevideo, you would use Pan American's services elsewhere in the Argentine and South America, the two companies cooperating in their respective spheres.

We realize that there is in the proposed extension a possibility of a conflict of interest between Pan American Airways and Pan American-Grace Airways, Inc., just as there is a possibility of conflict of interest on other matters between the interests of W. R. Grace & Company and Pan American-Grace Airways, Inc.

We do not intend and have never intended to suggest to the Post Office Department that, in connection with an ex-

tension of Contract No. 10 to Buenos Aires, it should reduce

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[fol. 204] the number of trips to be flown by, or the rate of compensation to be paid to, your Company. The whole matter appears to us to be a question of postal policy, as to which the officers of the Department must necessarily be the judges.

Mr. Hoyt, Mr. Trippe and Mr. Whitney have authorized us to inform you that since they sit on the Board of Directors of Pan American Airways, they will, of course, refrain from influencing in any way the conduct of Pan American-Grace Airways, Inc., in respect to any matters in which there is a conflict of interest. If the presence of any of them is required for the purpose of affording a quorum for Board action of Pan American-Grace Airways, Inc. relating to any such matter, they will attend for the purpose of establishing a quorum, if requested to do so, but will refrain from voting.

We are sending copies of this letter to Mr. Patchin, Mr. Roig and Mr. Cogswell.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.,

By J. T. TRIPPE
President

JTT:B

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[fol. 205]

GOVERNMENT'S EXHIBIT 73

Panagra

New York, April 10th, 1931.

MEMORANDUM FOR MR. ROIG

In our conversation this morning, Mr. Trippe showed me a draft of a letter from Panair to Panagra stating they were about to resume service between Santos and Buenos

Aires and that postal aid would be necessary to its maintenance.

The letter developed the idea that it had always been understood that Panair should operate down the East Coast of South America, that Panagra was interested in the West Coast only; that the question of obtaining mail pay for this extension of the East Coast made a conflict of interest between Panair and Panagra, in view of which Messrs. Hoyt, Trippe and Whitney as Directors of Panagra would refrain from voting but would be willing to make a quorum at any meeting where this question might come up. The letter also stated that the extension was a question of postal policy.

Mr. Trippe wished to discuss the letter but I told him that as it had been prepared very carefully for the purpose of making record, I did not wish to make an offhand comment upon it. I repeated that we (Grace Directors) were interested only in preserving the two trips a week on the West Coast and that I proposed to do everything possible to protect the company's interest in this regard, that the interest of the Post Office service plainly called for continuation of not less than two trips a week via the West Coast, since it carries the mail by the shortest route at the lowest rate to Buenos Aires and Montevideo. Also that the

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JDC

[fol. 206] extension while entirely justified if the Post Office Department had sufficient appropriations, was not necessary in order to give air mail service to Buenos Aires.

Mr. Trippe intimated that Panair ought to have the support of Panagra in getting a contract for the extension and I replied that this was not the case if in any way the payment was to be taken from the West Coast service either by reduction of frequency of the service, curtailment of route or rate of pay.

R H P

R H P

G018014

[fol. 207]

GOVERNMENT'S EXHIBIT 76

NEW YORK.

April 16, 1931.

Pan American Airways, Inc.,
Suite 4200, Charfin Building,
New York City.

Att. Mr. J. T. Tripp, President

Gentlemen:

I beg to acknowledge receipt of your favor of April 8th, 1931 with regard to the contemplated extension of the service of Pan American Airways, Inc. to Buenos Aires.

We have carefully noted your advice as to the course that will be pursued by Pan American Airways Directors who are also members of Pan American-Grace Airways Board in the event of a meeting of a Board of Pan American-Grace Airways called to take action on a possible conflict of interest of the two Companies resulting from that extension.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

J. D. MacGregor

Vice President & General Manager

JDM/Q

PAG-W79

9/30/54

JDC

NP56

[fol. 208]

GOVERNMENT'S EXHIBIT 77

April 23, 1931

J. T. Trippe, Esq.,
Pan American Airways, Inc.,
122 East 42nd Street,
New York City

Dear Trippe:

I beg to acknowledge your recent letter enclosing copy of Pan American Airways, Inc.'s letter of April 8th addressed to Pan American-Grace Airways, Inc.

While I do not know when your plans for extension to Buenos Aires were developed, I do know that the decision that Panagra's operations should be extended over the Andes to Buenos Aires and Montevideo was not a "later" decision in any relevant sense, as evidenced by the fact that this extension is included in our original Post Office mail contract of March 2, 1929. I also knew, of course, that Pan American have for some time contemplated extending their East Coast line to Buenos Aires and operating in the Argentine (except between Santiago and Montevideo via Buenos Aires) and that Panagra have not contemplated operations east of the Andes except between Santiago, Buenos Aires and Montevideo.

Your letter states that Pan American "are taking up with the United States Post Office Department the extension of contract No. 10 to Buenos Aires" and that "we do not intend and never have intended to suggest to the Post Office Department that, in connection with an extension of contract No. 10 to Buenos Aires it should reduce the number of trips to be flown by or the rate of compensation to be paid to" Panagra. W. R. Grace & Co. as a stockholder of Panagra accepts and relies upon these assurances as given in good faith; as including any action (whether of the kind specifically mentioned or otherwise) calculated to divert any United States mail pay from con

tract No. 9 to contract No. 10; and as including not only Pan American as a company but also anyone on its behalf. Almost simultaneously with receipt of your letter under reply Mr. MacGregor brought me a proposal from you that Panagra join Pan American in suggesting to the Post Office that in order to provide funds for your East Coast extension Panagra give up one trip a week between Santiago and Montevideo. This is, of course, entirely unacceptable. I understand your assurances to mean that this suggestion has not been made and will not be made to the Post Office Department without authorization of Panagra's Board of Directors.

Referring to paragraph "3" of letter exchanged by Mr. Rihl and myself at Buenos Aires dated November 16, 1930, it is, of course, understood Pan American is not at liberty to operate the proposed East Coast extension under this contract of Panagra's without express authorization of Panagra's directors and in case they grant such authorization it must, naturally, be conditioned on Pan American's furnishing adequate guaranties holding Panagra harmless from any claims against its bond deposit or otherwise arising out of Pan American's operation of this East Coast service.

GR 6750

12/14/54

ab

G031765

145

[fol. 209] There is no conflict "between the interests of W. R. Grace & Co. and Panagra" which bears the remotest resemblance to the situation presented by your letter and proposal.

While we appreciate the spirit of the next to the last paragraph of your letter, it is only fair to say that W. R. Grace & Co. do not consider that the proposed procedure covers the full measure of a director's responsibility in the premises and our acquiescence in this procedure is not to be construed as carrying any other implication.

I am sending copies of this letter to Messrs. Hoyt and Whitney.

Very truly yours,

(sgd) HAROLD J. ROIG
Vice-President

cc

Mr. Hoyt
Mr. Whitney

G031766

GR 6751

146

[fol. 210]

GOVERNMENT'S EXHIBIT 78

Berengaria 5 4

LONDON, April 30, 1931.

Dear Whitney,

Just before sailing from New York I received advices from Washington which were surprising and indeed, very disappointing to me. They were to the effect that one of your associates, a director of our Pan American Grace Airways, had suggested to the Post Office Department that the service on our line from Santiago to Buenos Aires be cut down from two trips to one trip a week.

While the Washington officials declined to interfere with our service, the incident may result in a very heavy financial loss to our company, as my advices indicate that it may lead to an effort to force us to accept for our second weekly trip \$1.60 a mile instead of the \$1.80 to which under our contract we are entitled after July 1st, 1931. This would mean a loss to our company of \$100,000. a year, which is a most serious matter. I think we should carefully consider how the company is to obtain redress and I should like to talk this over with you on my return.

I am giving you these facts confidentially as I feel that you should have them in order that you may be in a position to take any steps that you may consider necessary.

or advisable to right the wrong that has been done and to provide against the repetition of such an incident.

GR-501

10/24/54 PJS

G 1941

[fol. 211] I feel confident in placing this whole matter before you for your consideration and solution.

I have not intervened in the management of Panagra and am not too anxious to take on anything new. But I have enough confidence in *you* to believe that you and I can sit down and work out a plan of action. We would, however, have to sit down with full authority and independent of the opinion of anyone. I am sure that you would look at the whole matter with a spirit of fair dealing and understanding; and I would endeavor to do the same.

I expect to be back in New York early in June.

I am, with kind regards,

Sincerely yours,

(Sgd) D S IGLEHAET

C. V. Whitney, Esq.,

New York.

GR-502

G 1942

[fol. 212]

GOVERNMENT'S EXHIBIT 79

1237

A

5cc.

CABLEGRAM TO BUENOSAIRE (ARG.)

(IN CONFIDENTIAL CODE)

DATED: MAY 1, 1931.

PANAIR

RIHL

BUENOSAIRE (ARG.)

TWENTYSEVEN FOR YOUR CONFIDENTIAL INFORMATION ON ACCOUNT OF SITUATION HERE

MAKE NO AGREEMENT WITH PANAMERICAN
 GRACE AIRWAYS REGARDING SCHEDULE DE-
 PARTURES STOP POSTOFFICE HAS UNDER CON-
 sideration EXTENSION EAST COAST TO BUE-
 NOSAIRES TENTATIVELY FOR END OF JUNE
 STOP DUE LACK APPROPRIATIONS TEMPORARY
 CURTAILMENT SOME OTHER FOREIGN CONTRACT
 PROBABLY NECESSARY AFTER JULY FIRST IF
 EXTENDED STOP UNDER DATE OF APRIL TWEN-
 TYSECOND THACH REPLIED HAROLD J. ROIG
 LETTER OF APRIL FOURTH THEREFORE YOUR
 LETTER OF THE TWENTIETH INSTANT TO
 HAROLD J. ROIG NOT DELIVERED ACCOUNT CON-
 Flict POSITION STOP OUR POSITION AGENCY
 AGREEMENT NOVEMBER SIXTEENTH LAST YEAR
 REQUIRES PANAMERICAN AIRWAYS USE ONLY
 ORDINARY EFFORTS COLLECT PANAMERICAN
 GRACE AIRWAYS MAIL ACCOUNTS STOP NO
 OBLIGATION FURNISH POLITICAL INFLUENCE
 STOP UNDERSTAND PANAMERICAN GRACE AIR-
 ways CONSIDERING EMPLOYING BRADLEY FROM
 HERE STOP CONSIDER IT WOULD BETTER PAN-
 AMERICAN AIRWAYS POSITION FOR US REEM-
 PLOY BRADLEY AND NEGOTIATE HERE WITH
 PANAMERICAN GRACE AIRWAYS FOR REIM-
 BURSEMENT TO PANAMERICAN AIRWAYS HALF
 OF ADDITIONAL EXPENSE TELEGRAPH YOUR
 VIEWS

PAA-5627

3/3/55 C

J P C

TRIPPE

2199

Cosv \$24.78

MESSRS: TRIPPE-HANDLING, WYMAN, THACH,
 YOUNG, FILE

Panagra
No. 9

PAN AMERICAN AIRWAYS, INC.

General Offices — 122 East Forty-Second Street —
New York CityOffice of the
PresidentMay Rico
4 5/6/31
1931.Harold J. Roig, Esq., Vice President,
W. R. Grace & Company,
Hanover Square,
New York City.

Dear Roig:

I have your letter of April 23 commenting on Pan American Airways, Inc.'s letter of April 9, addressed to Pan American-Grace Airways, Inc.

As I understand it, while there may be a minor difference of opinion between us in regard to the date of the decision that Panagra's operations be extended over the Andes to Buenos Aires and Montevideo, you confirm that, as stated in our letter of April 9, it had been understood from an early date that Pan American Airways, Inc., might extend its East Coast line to Buenos Aires and operate in the Argentine (except between Santiago and Montevideo via Buenos Aires). Since, obviously, such operations could not be conducted without a United States mail contract, this understanding necessarily implied that Pan American Airways, Inc., should be free to make proper representations to the Post Office Department to this end, in the same way that W. R. Grace & Company might make representations to secure ocean mail contracts on the West Coast. In our letter of April 9, we assured Pan American-Grace Airways, Inc., that, in making such representations, we did not intend

to suggest to the Post Office Department that, in order to provide funds for this purpose, it should reduce the number of trips to be flown by, or the rate of compensation to be paid to, that company, and we do not now intend to make any such request.

.

GR-504

11/4/54

G018007

JPC

Very truly yours,

/s/ J. T. TRIPPE
President.

JTT:B

G018008

GR-505

[fol. 215]

GOVERNMENT'S EXHIBIT 81

W. R. GRACE & CO.
NEW YORK

2.210

New York, May 5th, 1931.

H. J. Roig Esq.,
c/o Grace Brothers & Co., Ltd.,
London, England.

PAN AMERICAN-GRACE AIRWAYS INC.

Dear Roig:—

In Washington April 28th the Postmaster General confirmed that Trippe and MacCracken had sought to bring about cancellation of one of our trips from Santiago to Buenos Aires. He said he asked them what Mr. Patchin thought about it and they had given him to understand that I was indifferent. Of course he knew from me previously that this was not true. The Postmaster General said he told Trippe and MacCracken that if this were true the best way to handle the matter was for them and us to come down

together to discuss it. Needless to say we have since had no request from Trippe to do anything of this kind.

The Postmaster General told me, as had Glover previously, that he was not disposed to penalize the pioneers on the West Coast route to Buenos Aires, that nobody had contended more strongly than Mr. Trippe had originally that the West Coast route to Buenos Aires was the logical route. While the Department would rather like to see the extension made to Buenos Aires on the East Coast he was not disposed to do it at the expense of the Pan American-Grace Airways Inc.

The Postmaster General added that Trippe had stated that Pan American-Grace Airways expects to have its pay "raised" to \$1.80 in the next fiscal year and that he had told Trippe that this was not his understanding. You see Trippe,
G 1936

GR-507

10-21-54

PJS

[fol. 216] characteristically, did not ask that our pay be kept at \$1.60 in order to provide funds to help out East Coast extension but he precipitated the issue and the Postmaster General immediately took the attitude that he was going to require continuance of the \$1.60 rate.

After making the obvious reply regarding the \$1.60 rate, I asked the Postmaster General if any decision in this matter couldn't be deferred until your return and he said that he was not inclined to hasten the matter so long as the Post Office did not, by its silence, commit itself to a resumption of the \$1.80 rate, but that it might be necessary to write us a letter asking us to continue at \$1.60 for another year. Meantime, I found that White had the impression from Glover that the Postmaster General has practically made up his mind on this question and intends to hold to the \$1.60. We are evidently going to have a struggle to get the full rate restored with the chances, I think, rather against us. Postmaster General said he was going to read over our contract again.

While this might have happened in any event, Trippe's action made it inevitable.

The Postmaster General did not repeat to me what I understand Trippe told him about Grace hanging back, being opposed to passenger business, etc. He, however, asked particularly about the percentage of performance on the Trans-Andean run, volume of mail, rate of increase of use of mail, the extent of our present passenger traffic and when we were going to carry passengers in Chile. Glover later told me Trippe is making a great play on the fact Pan-Air is giving highclass passenger service and we are not. I think it very important we start complete passenger service very soon.

G 1937

GR-508

[fol. 217] The present status, therefore, is that one trip a week is not to be cut off at the expense of Pan American Grace Airways but I feel that Trippe is working in every possible way to bring that result about. I am going down to the International Chamber of Commerce Meeting at Washington on Thursday, May 7th, for a day, and will doubtless hear more.

I read the Postmaster General Trippe's pledge that he did not intend and had never intended to suggest curtailment of service or compensation on Route #9 as a means of helping the East Coast extension. I think he had already heard of this from Glover and it evidently had its effect. He said he expected people to deal honestly and frankly with him and nobody got very far who did not.

He assured me that there would be no change in policy without sending for me and discussing the matter with me. "There will be no dark lantern business" he said.

I discussed the advisability of writing a letter to Trippe regarding the violation of his pledge with J.P.G. who was firmly of the opinion that it would do no good as he would go on working against us anyway. He felt we had better let the record stand as it now is. We have, therefore, not discussed the Washington situation with Trippe or his associates any further.

We have heard nothing further from them regarding arbitration. There has been further discussion of radio but it is not definite enough to warrant writing.

We had no Directors' Meeting on Monday, the fourth, but one has been set at Trippe's request for Monday the eleventh. I may telephone you before then.

G 1938

GR-509

[fol. 218] I have been following your progress in the cables. Hope you have been having a little fun along with the hard work. Business sentiment here seems to be a little more cheerful the last few days. President Crowley of the New York Central says he notices a spotty improvement and hopes it will continue.

Regards to all hands.

Faithfully yours,

/s/ R. H. PATCHIN

GR-510

G 1939

[fol. 219]

GOVERNMENT'S EXHIBIT 82

9793

PAN AMERICAN-GRACE AIRWAYS, INC.
122 East 42nd Street New York, N. Y.

NEW YORK,
May 6, 1931.

Memo. to Mr. J. T. Trippe, President,
Pan American Airways, Inc.,
New York City.

As you are aware, Panagra has refrained from carrying local passengers along the west coast of Colombia because we did not wish to do anything that would disturb the relations with Mr. von Bauer. You are also aware that SCADTA has discontinued service between Guayaquil and Buenaventura. I am not sure whether the SCADTA plane runs as far as Tumaco, but I am inclined to think that it now goes no further than Buenaventura.

Under these circumstances, is there any objection to Panagra requesting the right to carry passengers between Colombian ports on the west coast?

Your advice will be appreciated.

PAN AMERICAN-GRACE AIRWAYS, INC.

/s/ J. D. MacGREGOR.
J. D. MacGregor.

JDM/Q

346

14

[fol. 220]

GOVERNMENT'S EXHIBIT 83

PAN AMERICAN AIRWAYS

BUENOS AIRES

Argentina

JW

Av R. S. Pena 940
U T 35 Lib 1800 y 2892

Buenos Aires,
August 13th 1931.

Mr. Juan T. Trippe, President,
Pan American Airways Inc.,
122 East 42nd St.,
New York, U.S.A.

Dear Juan:

The question of charter flights will frequently arise between Panagra and ourselves; it seems to me that it might be well to settle between the two companies who is to have the first call on them.

I understand it has always been arranged that we would operate local services, Panagra being confined to the operation of the direct line.

At the present time we are the only ones who have multi-motored equipment in reserve, and so we are the only ones at present in a position to take care of charter flights calling for this type. Panagra has a Fairchild in reserve and we will have one as soon as the overhaul job is completed. Our Fairchild is at the ramp and cannot be used unless we take it to Meron. There is no reason why we should not store this machine there in a small garage which we could put up with little expense. This would put us in the same position as Panagra for handling charter flights that require single motored equipment.

Will appreciate your letting me know your attitude in the matter.

With kindest regards,

s/ GEO. L. Rühl
Geo. L. Rühl

GLR:pg

PAA-5641

3 3/55

JPC

2199a

[fol. 221]

GOVERNMENT'S EXHIBIT 84

PAN AIR DO BRASIL S. A.
EDIFICIO DA ALMOTA — RIO DE JANEIRO

October 8th, 1931.

Via "Air Mail"

Mr. J. D. MacGregor, Vice President & General Manager
Pan American Grace Airways, Inc.
910 Av. Roque Saenz Pena
BUENOS AIRES, Argentina.

Dear Mac,

I had explicit instructions from Mr. Trippe to settle with you the question of charter business arising at Buenos

Aires. Unfortunately I forgot all about bringing this point up.

My understanding is that Pan American has the right to any aviation business in the Argentine not directly connected with the operation of the international service via the West Coast. If my assumption is correct there will be no argument as to who will take the charter flights.

In order to avoid complications it would seem to me that both companies should abide by the original understanding. I will appreciate your advising me as to what you recommend to your Directors.

With kindest regards,

Yours faithfully,

/s/ GEO L Ruhl
Geo. L. Ruhl, Vice President
Pan American Airways, Inc.

cc. Mr. Trippe, President
Mr. Young

GLR/PS.

PAG - W 161

9/30/51

JPC

W418

PAN AMERICAN AIRWAYS SYSTEM, A MAIOR
REDE DE TRANSPORTES AEREOS DO MUNDO

GOVERNMENT'S EXHIBIT 85

BUENOS AIRES

November 11, 1931.

Mr. Geo. L. Rihl, Vice President,
Pan American Airways, Inc.,
New York.

Dear George,

With reference to your letter to me of October 8, my answer to you under date October 12 and your letter of October 20 to your employees and agents, all referring to the question of charter flights in the Argentine:

Your letter of October 20 does not set forth the complete understanding as arrived at by our previous exchange of letters. Your local company will have the right to all charter flights originating in the Argentine, EXCEPT ALONG THE ESTABLISHED PANAGRA ROUTE FROM BUENOS AIRES TO MENDOZA. It will also have prior right to charter flights from the Argentine to Uruguay, but Panagra will have equal rights to flights originating in Uruguay for the Argentine or to the interior of Uruguay; this latter until such time as Panair forms a local company in Uruguay to engage in cabotage business.

.....

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

Vice President & General Manager

JDM/FL

cc Mr. Harris, Lima

N. York.

PA W 171

9/30/54

JPC

W 401

[fol. 227]

GOVERNMENT'S EXHIBIT 88

VIA

Correo Aereo
PANAGRALetter No. 61
(D.S.I. Trip series)En route Valparaiso
On board s/s "Boskeep"
June 27th, 1932.Rico
7/6/32
Arica
7/8/32H. J. Roig, Esquire,
New York.

Dear Roig,

AIRMAIL TUMACO — Your No 7

.....

If I were you I would get directly in correspondence with Harper regarding this and get his views as to what he considers he will be able to accomplish and how he proposes to go about doing it. You then can decide whether anything would be gained by taking the matter up with Trippe. In accordance with our general understanding with Trippe, Panagra was to operate on the whole West Coast of South America and across to Buenos Aires and, I think, Montevideo. The operating by them of a service from Buenaventura to Tumaco is not compatible with this arrangement and, as I do not think that Scadta can possibly be making anything out of this service, it would seem a very natural thing for them to retire from it; in fact, I think we really have a right to ask them to retire, particularly if they suffer no prejudice by doing so.

.....

Very truly yours,

/s/ D. S. IGLEHART

GR-679

10-79 FOV

GR-680

GR-681

GR-682

GR 682

G 450

G 451

G 452

G 453

G 454

COPY

July 12, 1932.

Memorandum to Mr. J. T. Trippe, President,
Pan American Airways, Inc.,
New York City

It develops that there is a possibility of quite some little passenger traffic between San Juan and Mendoza. For your information, San Juan is located some 150 kilometers north of Mendoza and, although it is a town of importance in the wine and mineral business, it is very much isolated due to poor and infrequent railroad service.

During my stay in Buenos Aires, Mr. Bradley informed me that there was every possibility of securing a subsidy from the Province of San Juan of approximately two Argentine pesos per kilometer if the Company was willing to insure twice a week service by airplane to Mendoza. As you are aware, Pan American-Grace Airways maintains a spare Fairchild at the Mendoza airport for use on its Transandean service, and it would be possible to locate also at Mendoza one of two or three mechanics now on our payroll who possess a commercial pilot's license.

Under ordinary circumstances, I would recommend that our Directors authorize me to instruct Bradley to secure this subsidy if possible and start a twice weekly mail and passenger service to San Juan as a feeder to our international line. I do not wish to make this recommendation without your consent because of the intercompany agreement that Pan American-Grace Airways will confine its operations strictly to its mail route between Mendoza and Buenos Aires. As the town of San Juan is located near to the extreme western terminal of our line in the Argentine, it occurs to me with San Juan to the north and possibly

San Rafael to the south, an exception might be made. Will you kindly advise.

J. D. MacGregor

JDM/G

G020955

GR-5003

11-19-54 PJS

[fol. 229]

GOVERNMENT'S EXHIBIT 90

Letter No. 104
(D.S.I. Trip series)

CORPORACION MARITIMA COLOMBIANA.
Buenaventura — Colombia

7/25

On board m/v "Santa Barbara",
July 21, 1932.

H. J. Roig, Esquire,
New York.

Dear Roig,
PANAGRA

Your letter No. 20.

I have answered most of the points in this letter.

Regarding the Lima field, the fog conditions vary in different seasons of the year but I think near Callao they rule better. I would ask for full data, a survey and a studied opinion.

TUMACO

Pan American have no right under their agreement with us to be interested in a service along the West Coast of South America. I believe we can get the Colombian Government to grant us coastwise rights. Panagra have no right to give their agents orders to keep their hands off of Seadta.

Our answer to this would be to threaten to form the cabotaje companies in Peru and Chile ourselves rather than have Panagra form them. Scadta must get out of the West Coast Colombian trade. I think now is the time to make an issue of this and tell Scadta that either they must get out of the North and South trade on the Pacific or we will go after them in Colombia. They are not strong and there is a good deal of feeling against them in Colombia. Please let me have your view about this.

Very truly yours,

/s/ D. S. IGLEHART

Enc.

1/8 1
2 3 14

GR-708

10-19-54 PJS

G 429

[fol. 230]

GOVERNMENT'S EXHIBIT 91

PAN AMERICAN-GRACE AIRWAYS, INC.
122 East 42nd Street New York, N. Y.

Cable Address
"PANAGRA"

November 16, 1932

Memorandum to Mr. R. H. Patchin, Vice President,
W. R. Grace & Co.,
New York City.

• • • • •

The route Santiago/San Rafael/Mendoza entails a flight of some 450 kilometers, or 270 miles, as against approximately 150 miles Santiago via Uspallata to Mendoza. I believe that a better idea would be a single motored shuttle between San Rafael and Mendoza to make connection with our through planes. That I have had this in mind for some time you can see by the attached copy of my memorandum to Mr. Trippe in which I requested that the policy, by which

Panagra operations in the Argentine are restricted to the carrying of passengers only along its present Mendoza-Buenos Aires route, be modified so that we might, if necessary, establish a shuttle between San Juan and Mendoza on the north, and San Rafael and Mendoza on the south. Although there is railroad connection between both of these towns and Mendoza, the trains run slowly and it has very often been suggested to us that there was a possibility of building up air traffic in connection with our trunk line.

That I have not pushed this matter to a decision recently has been due to the fact that until the recent purchase of two additional Fords the loss of the SAN JOSE in the middle of the winter season tied up the flying equipment I had in mind for this shuttle service. I also thought it better to wait until the effect in Mendoza of the loss of the SAN JOSE had been minimized by lapse of time. However, as this subject has come to your personal attention, I shall place it on the agenda for the Directors' Meeting next Monday in order, if possible, to secure a modification of what I understand is the gentlemen's agreement between Pan American-Grace and Pan American Airways with regard to additional services in the Argentine.

/s/ J D MacGREGOR.
J. D. MacGregor.

G026953

GR-5001

11-19-54 PJS

JDM/Q

Enc.

G026954

GR-5002

11-19-54 PJS

[fol. 231]

GOVERNMENT'S EXHIBIT 92

PERSONAL 1019

CHARTER HIRE—MORON AIRPORT

NEW YORK

February 11, 1933.

Mr. H. R. Harris,
LIMA.

My dear H.R.:

I note in a letter written by Dr. Lopez to Mr. Young of Panair that Lopez suggests the advisability of always having at Moron a small plane which could be used for visiting neighboring "haciendas", on charter, because, as Dr. Lopez points out, with the crisis there is a great deal of mortgaging of land going on and representatives of Banks and other interests can examine a property much more quickly by air than otherwise.

I do not know whether you have a Fairchild located at Moron at present. If not, it might be well to study this feature a little and slip a plane in there and tell Lopez quietly that Panagra has a plane there which can be used for charter hire.

Of course, charter business out of Buenos Aires belongs to Panair, but if Panair has not the equipment available, we have the refusal.

Please think this over and let me know your reaction.

J. D. MacGregor

PAG-W287

9/30/54

JPC

JDM/Q
W449

[fol. 233]

GOVERNMENT'S EXHIBIT 94

August 23, 1934

MEMORANDUM TO MR. GARNI
MR. PATCHIN
MR. COGSWELL

PANAGRA

As Mr. Roig will be seeing Mr. Trippe I think it might be advisable to give him by cable our views with reference to the two handwritten letters to me and also with reference to his letter No. 13 addressed to me.

With reference to the handwritten letters, I think we might say that we are particularly in favor of a plan to extend to Bolivia and also to serve the interior points in Peru; furthermore, if we do develop Bolivia I think we ought to study very carefully the plan to extend to Salinas. We should be able to get very interesting figures with reference to travel movement, possibility of getting income from local mails and express and some estimates as to cost.

.....

Buenaventura—Cali:

It is a practical matter to decide whether our planes ought to call at Buenaventura or Cali or both. The figures and information that Roig gives us regarding the competition of Scadta on through traffic from Miami are surprising to me as I think they also are to him. My strong impression is that this movement is a violation of the general agreement that we had with Pan American to the GR.

11/26/54

F

5109

G030744

[fol. 234] effect that we would stay on the West Coast and they would stay on the East Coast of South America with the one exception that we could fly across to Buenos Aires

and Montevideo. Pan American's failure to give a direct service to Panama for the through movement and their availing of the indirect route and of Scadta to compete with us on the West Coast is a violation of our agreement which should be remedied promptly and provided you agree I think Roig should take a very strong attitude with Trippe on this point.

.

GR.

5110

D. S. I.

G030745

[fol. 235]

GOVERNMENT'S EXHIBIT 95

New York, January 9, 1935

J. D. MacGregor, Esq.,
Santiago, Chile

Dear MacGregor:

Harris has written you fully regarding Bolivian developments.

Pan American have not yet indicated their willingness to have Panagra undertake this extension. Guzman Tellez cables that the time element is of great importance. If Panagra is ultimately to undertake the service it is obvious that the sooner the matter is decided the better. If W. R. Grace & Co. undertakes it there will naturally be expenses incurred which would be unnecessary if Panagra does it. Our idea in volunteering to undertake it was to protect Panagra's position by enabling Guzman Tellez to act promptly (pending decision of Mr. Trippe who was then very much occupied in Washington) thereby securing to Panagra the important benefits which I believe will accrue from having this Bolivian concession. While Guzman Tellez has applied for the concession in the name of W. R. Grace & Co and we are going right ahead on that basis, the business seems to me to be one which Panagra should undertake.

It occurs to me that if you think well of Panagra's ~~under~~ taking this extension it might be advisable for you to cable Panagra New York your recommendation in the premises.

Very truly yours,

(sgd) HAROLD J. ROIG

GR-11467

1/20/55

JPC

G057814

[fol. 236]

GOVERNMENT'S EXHIBIT 96

A.G. No. 11,034

ORIGINAL AIR MAIL LETTER

Copy Follows By Steamer

W. R. Grace & Co.

Lima-Peru

Mr. Holloway

Mr. Roig

Mr. Cogswell

P. M. Roig

Mr. Zebates

A. Garni, Esq.,

NEWYORK.

Lima, 12/1/35.

NY, 17/1/35.

No.

Lima, January 10th, 1935.

Attention Mr. H. J. Roig

Rec'd JAN 16

LA PAZ SERVICE

Dear Mr. Garni:

During this week we have discussed fully with J. Guzman Tellez the various details in connection with the proposed service to La Paz.

Shea and Thommen have enlightened him regarding the general mechanism of postal arrangements, etc.

He is sending you by this mail a draft of the proposal which he intends to submit to the Bolivian Government if you approve of it.

The purpose of this letter is to specifically refer to your cable No. 98, where you suggested to Guzman Tellez that he discuss with me the possibility of securing operating rights for a Grace company for the Peruvian portion of the La Paz extension.

G061267

Although it is premature to be going into these details, I should just like to leave on record that we feel strongly that if it is not possible to arrange with Panagra to carry on this service, and it is necessary to form a separate company, this company should by all means be an American company. We feel that we shall always have a certain amount of difficulty in arranging an operating permit for another company in addition to Panagra's and Aerovias' operating permits, but we feel that there will be more chance of success in this direction if the company is American and not, for example, Bolivian.

Correspondingly, it would seem to us that it would be easier in Bolivia if this were an American company than if, say, it were attempted to have Aerovias Peruanas go into Bolivia.

1-28-55 mfr
GR 11468

[fol. 237] MacGregor has evinced considerable interest in the newspaper reports of the La Paz service, but unless authorized to do so by you neither Guzman Tellez nor ourselves will discuss the matter with anyone in Panagra.

Yours truly,

I thought your
cabled J. G. T.
to discuss with
MacGregor

/s/ KIRBY

JTK/t.

Yes Jan. 11
Campbell

Ans. 1/19/35
by H. J. R.
Campbell

G061268

1-28-55 mfr
GR-11468A

[fol. 238]

GOVERNMENT'S EXHIBIT 97

W. R. Grace & Co.
New York

Letter No. 25
(E.J.R. Trip Series)

Copy follows by steamer

New York, April 13, 1935

Harold J. Roig, Esq.,
Santiago, Chile

Dear Mr. Roig:

BOLIVIA

.....

You will have noted that the cable above referred to does not constitute a definite authorization for Panagra to inaugurate the

JMrG 11-3-54

9 R-932

G014391

Page 2

service and the reason for this is that Trippe is again insisting on a written declaration from Panagra that his acquiescence to the Bolivian service will not prejudice what he calls "the existing agreement between Panair and Panagra with regard to business in the Argentine". I enclose copy of letter which Vidal discussed with Rihl, the latter suggesting that it be modified to read as quoted above. The discussion was solely on the basis of what would suit Panair, as we have not agreed to any letter. I am passing this information on to you to serve as a reference in case the matter comes to a head within the next few days.

.....
Very truly yours,

/s/ DOUGLAS CAMPBELL

enc.

GR-933

G014392

[fol. 239]

(Proposed letter)

Mr. J T Trippe
 Pan American Airways, Inc.
 Chrysler Building
 New York City

Dear Sir:—

Referring to Bolivian concession which we are endeavouring to secure along lines discussed with you, this is to confirm understanding that your acquiescence in Panagra's undertaking, this concession is without prejudice to any existing arrangements between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. with regard to business in the Argentine.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

GR-934 G014393

[fol. 240]

GOVERNMENT'S EXHIBIT 98

Letter No 48	Airmail 4.24.35
(HJR trip series)	NY 5. 1.35

ORIGINAL AIR MAIL LETTER

Copy Follows By Steamer

Mr. Holloway
 Mr. Cogswell
 Mr. Campbell
 Mr. Patchin P

Buenos Aires, April 21, 1935

A. Garni, Esquire,
 New York

EXCERPT P 1-2-3-4 Rec'd. MAY 1

Dear Garni,

BUENOS AIRES—SALTA—BOLIVIA LINE

You may or may not recall that in the early days when we were running out our line there was considerable doubt

whether we should go beyond Santiago. Our Post Office contract gave us an option to proceed to the Argentine and Uruguay, and, for reasons of expediency at that time rather than because of any carefully considered plan to go beyond Santiago, we exercised this option. Pan American had a local company ("Alas") here at that time through which they were intending to develop cabotaje business and, as I recall it, it was part of the understanding under which they agreed to our exercise of the Argentine option that Panagra was not to compete with them for local Argentine business except along our main line. That is how the understanding came about that we would not be interested in cabotaje in the Argentine except to the extent indicated.

The above represents my recollection of the matter at this time but my memory of the details is not too clear and the above statement may not be 100% correct. Patchin may have a clearer recollection of the circumstances. I mention this, however, because if this question is coming up for discussion it is just as well that you have some general idea of where this understanding came from. It was never reduced to writing any more than was our general understanding, of which it was a part, that our interests were in general to be confined to the West Coast

-5-55

GR-8863

G046743

[fol. 241] countries while Pan American's were confined to the East Coast.

A good deal of water has gone under the bridge since that time and, while the understanding still remains and I would not for a moment think of questioning it, it may be that as matters stand today it would be in the interests of all concerned to consider modification of this understanding by mutual consent and perhaps Trippe's request for a letter on the matter may afford an opportunity for discussing the question with him. Hence the suggestion in my cable No. 25 that, if feasible, the delivery of such a letter be deferred until you received this line.

Incidentally, if a letter has been or is to be delivered in compliance with Trippe's request I see no objection to the form enclosed with your letter No. 25 which, as I recall it, is in conformity with the draft which I prepared some time

ago when there was some possibility of our having to give such a letter as a condition to Panagra's taking over the Bolivian concession. Even if this letter is delivered it would not, of course, preclude in any way the possibility of a discussion of a modification of the understanding.

G046744

Trippe has mentioned to me on a number of occasions what he has evidently repeated to you,—that the Argentine Government was very much interested in the development of interior lines and was contemplating subsidies for such lines and that Pan American was expecting to bid on such lines. In fact, if I am not mistaken, on one occasion not very long ago when we were discussing this understanding and I suggested that if I wished to be technical I might suggest that the understanding had lapsed by reason of their long delay in developing interior lines, he suggested GR-8864

[fol. 242] that the reason for this delay had been the various "Tramites" in connection with the development of the plan now referred to.

There has been an Argentine Aeronautical Conference going on here ever since I arrived which Bradley has been attending and I have therefore not seen much of him. In the short talk I had with him the other day, however, I asked him if the development of this plan was being discussed at the Conference and whether there was any prospect of progress being made on it. He said that there had been no serious discussion of the matter at the Conference; that the project was not new but had been under discussion for a long time but had not yet taken any definite shape. I will follow this matter up with him as well as in other directions and will try to get something really definite on the subject in the next day or two.

In a broad way, however, the idea contemplates several lines,—one of which would be between Buenos Aires and Salta by way of Rosario, Cordova and Tucuman. This is of course the one in which we are interested. Trippe will also be interested in it and perhaps in some of the others.

G046745

This line would tap a large population (the four principal cities alone having about a million) where railroad service is not as good or as inexpensive as between here and Mendoza, and for that reason ought to offer excellent cabotaje possibilities. Harris has had his eye on it for a long time and we discussed it quite a bit last Summer; in fact, at that time, at my suggestion, he mentioned it to Trippe in B.A., suggesting that since Panair were evidently GR-8865

[fol. 243] not making any plans in that direction, Panagra would take it under consideration. Trippe categorically rejected this suggestion reminding Harris of the understanding between the two companies above referred to.

.....

Very truly yours,

/s/ Roig

GR-8866

G046746

[fol. 244]

GOVERNMENT'S EXHIBIT 99

Dictated by
Mr. Campbell
Apr. 23, '35
Nah

PANAGRA

Re: Bolivian Concession

When Pan American Airways purchased the Nyrba Line which was the line running down the East Coast, and started to operate it about 1930, for a short time they ran services to Buenos Aires and Mendoza which was in competition with our main line to Buenos Aires. Panagra protested this and a verbal gentlemen's agreement was then made that Panagra only would do business between Mendoza and Buenos Aires and Pan American Airways, through a subsidiary which they were forming for that purpose, would operate all other routes in the Argentine. They did form the company, but they never operated any routes in Argentina. This year when the question came up

as to whether Panagra would take over a concession to operate in Bolivia, which was being sought in its preliminary stages by W. R. Grace & Co., Mr. Trippe stated that as a condition to his approval of Panagra's taking on this Bolivian concession, he would require a letter from Pan American-Grace Airways stating that his acquiescence in this matter should not be considered as prejudicial to what is called the existing agreement with regard to business in the Argentine. Mr. Roig replied that he did not see any need for this as the operation at present contemplated in Bolivia did not effect in any way the business in the Argentine and while Mr. Trippe did not specifically acquiesce in this, he gave his consent to Panagra, making commitment with the Bolivian Government which bound Panagra to inaugurate a service between Tacna and La Paz within six months.

After this concession was obtained and the obligation assumed by Panagra, Mr. Trippe very properly insisted that the operating management of Panagra make a detailed study of the route and submit a report describing the manner in which they proposed to operate this service. This

GR-6623

G031694

12/14/54 aa

119

[fol. 245] was done and their proposed plan of operation approved with suggestions for minor changes, but at the insistence of Pan American Airways, Panagra's operating management in South America was advised by cable that they would be instructed later as to the date of inauguration of this service. On this point, Mr. Trippe stated that before he would consent to authorize an inauguration of the service, he must have a letter from Panagra along the lines of the one which he had previously asked for before approving Panagra's acceptance of the Bolivian concession.

The objection to giving him the letter would be that the verbal agreement above referred to was made four or five years ago under conditions which may or may not prevail in the future, particularly with regard to the right of Panagra to operate its international line through Chile. In other words, although the Chilean concession has recently

been renewed for four years, if at some future time passage through Chile should be refused and Panagra should find it expedient for this reason or for other reasons to operate its international line through Bolivia to Buenos Aires, a formal agreement of this nature would cut Panagra off at the border between Bolivia and Argentina.

120

G031695

GR-6624

[fol. 246]

GOVERNMENT'S EXHIBIT 100

Letter No. 59
(HJR trip series)

Airmail 5.2.35
NY 5.8.35

(Dictated in) Buenos Aires, April 24, 193

A. Garni, Esquire,
New York.

Dear Garni,

BUENOS AIRES — SALTA — BOLIVIA LINE

Referring to my letter No. 48 just by coincidence I am in receipt of a letter from Harris from which I quote the following:

"In connection with the claim that Panair make as regards their prior rights to institute local services in the Argentine except on the Buenos Aires/Mendoza section, it seems that inasmuch as we have made no move to expand our local operations in the Argentine for a period of years in view of their statement that they are about to commence local services, we would be perfectly justified in limiting our recognition of their claims to a definite period of time. In other words, if service from Buenos Aires to Bolivia, B.A. to Rosario, B.A. to Asuncion, etc., etc. were not instituted by a Panair company say by January 1, 1937, Panagra would

have a right to institute such services as they saw fit without further prior claims by Panair on this territory."

If we really feel that we would be interested in developing the Salta line and other methods failed, this might be a way to bring the matter to an issue. Naturally, however, we could not expect to get Trippe's acquiescence in Panagra's giving such a notice or instituting such a service if he had declined to agree to it in some other form. It would, therefore, like Bolivia have to be a case of W. R. Grace & Co. stepping into the breach.

Very truly yours,

/s/ Roig

Copy K D.S.O.

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GR-970

11-4-54 PJS

[fol. 247]

GOVERNMENT'S EXHIBIT 101

W. R. GRACE & CO.
NEW YORK

Letter No. 46
(H.J.R. Trip Series)

ORIGINAL AIR MAIL LETTER

Copy Follows By Steamer

NEW YORK, May 6th, 1935.

	Arica	3	
	Buenos Aires	4	
Harold J. Roig, Esq.,	Santiago	1	
Santiago, Chile.	Bolivia	1	Arrived 5/13/35

• • • • •

Dear Harold:—

BOLIVIA. My recollection is that when Trippe acquired Nyrba, there was some question of competition between

Santiago and Buenos Aires, and at that time it was agreed that our operations east of the Andes would be limited to that line and Panair would not compete with us there. In other words, the arrangement was from the point of view of competition. A great deal of water has gone over the dam since that time and it might well be argued that Trippe is not in a position now to stop our operating to Buenos Aires through Bolivia. At any rate, the latter might well be the case if and when we should decide that such operation became necessary. Accordingly, a letter to the effect that any agreement which may exist would not be affected would seem to be in order.

While discussing the letter, Trippe suggested that this might be a good time to clear the whole matter up and he has suggested that if we do extend to Buenos Aires through Bolivia, we should pay a part of Nyrba's development expense which was taken over by Panair. As I understand it, the letter would be along the lines that Panagra would have the option to extend to the Argentine and if such option should be exercised would pay a specified amount to Panair. We are now waiting to hear from Trippe what that amount should be. If it is at all reasonable, it might be well to clean [fol. 248] the matter up along these lines as it would be settled definitely and it is our idea that the option of extending service should then be left with the Grace directors.

Very truly yours,

W. F. Cogswell

g. m-1005

G014323

GOVERNMENT'S EXHIBIT 102

Air Mail 5.17

Stgo 5.17

Original Letter
Steamer copy follows

No. 50
(HJR Trip Series)
W. R. GRACE & CO.
7 Hanover Square, New York

NEW YORK, May 8, 1935.

SANTIAGO, Chile

5/17

A. Garni
Pres. & Treas.

Harold J. Roig, Esq.,

Dear Roig:

PANAGRA

Bolivian Service: This air business is certainly a fast-moving enterprise and between calling up Washington and looking for Trippe there is very little time left for anything else.

Just after I finished my letter to you of today trying to keep you up to date on what developed regarding the Bolivian situation, somebody at Panair called me up to say that Trippe had telephoned up instructions to inform me that he agrees to have us start the Bolivian service just as soon as Panagra is in a position to do so, on the understanding, however, that after six months' operations the position should be reviewed to determine whether or not it suits to go on.

I told my informant that we would want to review the position from month to month, not so much with the idea of seeing whether we should go on but to determine whether the service should be extended, and that while I had no illusions as to the first six months' results, I felt very con-

fidant that in the long run a well studied and well organized service in Bolivia will give satisfactory results.

Since Cogswell telephoned to me at noon about the file memorandum I have heard nothing further from him, but in view of this very latest development I take it that he and Trippe agree on the wording of that memorandum. I think

JMcG 11-3-54 GR-1022 G014300

[fol. 250] I made it clear that no letter will be written to him, nor do I imagine that he will get a copy of this file memorandum, although he probably has made a copy himself while discussing it with Cogswell. At any rate I think a well worded file memorandum is not as bad as a similarly worded letter and I think we also agree that the present solution is far better than some far-fetched option agreement to buy out his so-called rights.

Very truly yours,

/s/ A. GARNI.

GR-1023

GR-1024

G014301

G014302

[fol. 251]

GOVERNMENT'S EXHIBIT 103

PAN

Air Mail 5.11

Stgo 5.17

No. 51

(HJR Trip Series)

NEW YORK, May 9, 1935.

Harold J. Roig, Esq.,

SANTIAGO, Chile.

Dear Roig:

BOLIVIA

In furtherance to my letters Nos. 49 and 50 of yesterday's date, I now want to attach a copy of a memorandum which

landed on my desk this morning and which I presume is the agreed-to file memorandum which Trippe wanted me to leave on our files.

Very truly yours,

(Signed) A. GARNI

Enclosure

(x) 5.10.35

P. S. Cogswell just returned and confirms that the attached memoranduin is the final form agreed to by Trippe GR-7060

12/13/54

F

G031224

[fol. 252]

PAN

L.

Mr. Campbell

pl. note and

return

Campbell

AG

File this.

file

MEMORANDUM

In discussing the question of Panagra's starting service to La Paz, Mr. Trippe made the point that it should not be construed to affect arrangement between Panair and Panagra entered into in connection with extension of Panagra service from Santiago to Buenos Aires, whereby Pan American (or its affiliated national company) was free to operate in Argentine, with the exception of the Mendoza-Buenos Aires route, to which Panagra's operations would be limited. I stated I was not familiar with the arrangement, but agreed that, upon Mr. Roig's return, Panagra would write a letter to Panair to the effect that their consent to the extension to La Paz should not be construed as affecting any arrangement which *might* exist between the two companies in reference to the sphere of operating in the Argentine. He suggested that I make this memo as a

record of the position, in order not to hold up Pan American-Grace pending Mr. Roig's return.

/s/ A. GARNI

GR-7071

12/13/54

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G031221

[fol. 253]

GOVERNMENT'S EXHIBIT 104

Letter No 12

(Trip series)

On board "Santa Lucia",
May 1, 1936.

H. J. Roig, Esquire,
New York.

Dear Roig,

INTERNATIONAL TRAFFIC

I asked for figures regarding the number of passengers that come from Panair and went to Panair from Panagra and I got the attached. From this it seems clear that our traffic connection with Panair is bringing us almost nothing and that our international movement moves mostly by steamer to and from the U.S. This is merely an impression and I want to suggest that you should set someone on the task of analyzing all of our movement so that we would know how many people are coming into Cristobal and out, where they are coming from and where they go to and what medium of transportation they use for the whole journey. The same information might be obtained from Lima, Santiago and Buenos Aires and with this we might begin to see the conditions and handle our problem more intelligently.

I talked to Smith and Brown together of the importance of working in very close harmony and of the steamers and Panagra using one another to the fullest. I explained what great mutual advantage they could get by having each of

these services work for the other and they were both, I think, quite impressed with the benefit that might come from such an effort. Smith said as I left that he thought it was a despairing task to build up traffic relying on Panair but that if the Grace Line got back of the effort he would not worry about the results. I told him that I did not know to what extent this could be brought about but that he and Brown might develop this idea and they both said they were going to work hard to do it.

COLOMBIA--EQUADOR

I am sending you a cable with reference to my old idea of
GR-1199 G019323

[fol. 254] flying over Colombia and Ecuador instead of flying over the sea.

I feel, however, that Colombia is so much of a key country for us that we must get our foot in the door and endeavor to get hold of the Western side of the country which belongs to us. I know how difficult it is to bring this about; in fact, it may be impossible. I however thought it worth while putting the matter before you again with a few additional facts to see whether you could not devise some means of taking a step forward now that we are going to have an adequate unit that could fly over the mountains, has the speed to make the run with the stops that would be necessary.

Very truly yours,

(sig) D. S. LEEHART

GR-1200

G019324

[fol. 255]

GOVERNMENT'S EXHIBIT 107

10 HANOVER SQUARE, NEW YORK

JUN 15 1936

ORIGINAL AIR MAIL LETTER

REGULAR MAIL COPY FOLLOWS

Letter No 43
(Trip series)On board "Santa Clara"
June 11, 1936.H. J. Roig, Esquire,
New York.

Dear Roig,

PANAMA

Harris met me in Buenaventura and went up to Panama with me. Helbling arrived from the interior just as the steamer was about to leave so I had him come along to Panama also. I was glad that I had done so as I let Harris hear my talk with Helbling in which I emphasized as I have with all managers all along the Coast the fact that our primary interest is transport and that the first attention of all our managements must be given this—both steamer and air.

COLOMBIA

I attach a note of the further conversation and have nothing to add to this except to say that two things become clearer and clearer to me. The first is that the Western part of Colombia belongs to us and that there is a potential movement south from Medellin at least as far as Tumaco which would be very important. Seadta is running a service from Medellin to Cali five days a week both ways and Helbling tells me that they are running full all the time. The Commodore which arrived from the north while

I was in Buenaventura had eleven passengers of which ten got off at Buenaventura. I am convinced that we can get as intensive a movement in Western Colombia as we have in Peru and that we will eventually operate an international service twice a week and a local service of about the frequency of Aerovias and connecting up with it.

Very truly yours,

(Sig.) D. S. IGLKHART

GR-1351 10-18-54 PJS

G 33

[Vol. 256]

GOVERNMENT'S EXHIBIT 106

New York, July 22, 1936

E. T. Allen, Esq.,
care Grace y Cia (Chile) S.A.
Santiago, Chile

Dear Ed:

As you are probably aware, the Argentine Government recently authorized an appropriation in favor of the Direccion de Aeronautica Civil to be used in subsidizing airlines to the interior of the country and we have reason to believe that in the near future the Director de Aeronautica Civil, Senor Mendez Goncalves, will advertise for bids covering two routes, i.e., from Buenos Aires to Asuncion, Paraguay, and Buenos Aires to Salta via Rosario, Cordoba, Santiago del Estero and Tucuman. It is not known whether the entire appropriation for subsidy which we understand to be 750,000 Argentine pesos, will be used on these two routes only or whether other routes are also contemplated.

The route from B.A. to Salta is in Panagra territory and is one in which Panagra is greatly interested in view of the possibility at some future time of operating from Peru to

-2-55

F

B.A. by way of Bolivia. Consequently it is entirely possible that Panagra in its own name or through the information of an Argentine subsidiary might make a bid for the

subsidy on the Salta line. It is also not unlikely that Panair might be interested in the Asuncion route.

Since you will undoubtedly be in very close personal contact with a great many military and civil aviation officials during your stay in the Argentine, I have no doubt that you will be able in a casual and personal way and without reference to Panagra's interest in the matter, to obtain GR-11526

G039802

[fol. 257] a good deal of information regarding the general policy which the Government will follow in connection with these lines as well as the operating requirements which will be demanded of bidders in order to qualify. I would greatly appreciate any advice you can give me on these matters as well as on the activities of prospective Argentine bidders as at the moment we are somewhat in the dark with regard to this proposed development.

• • • • •
Very sincerely yours,

(Signed) Douglas Campbell

GR-11527

G039803

[fol. 259]

GOVERNMENT'S EXHIBIT 108

W. R. Grace & Co.
NEW YORK

New York, September 23, 1936.

Dear Mr. MacGregor:

George Rihl came down and had lunch with me last Friday.

We talked about the Argentine situation in a general way but it was impossible to arrive at any definite conclusion as the whole matter is so very much up in the air. I explained that while we do not want to lay down in any definite way until the situation was clearer what we would and would not do, we were in general of the opinion that

nothing would be gained by our taking a small stock interest in a large company which operated all the routes in the Argentine and that the only plan I could see for a combination with anyone would be a combination with Dodero on the Salta route. While even this would not be too satisfactory it would probably be better, provided a reasonable basis could be worked out, than being excluded entirely from this operation. The main thing is that we know what is going on and have an opportunity to come in if we want to on the best plan that can be worked out but we really cannot know much about this and have much of an opinion about this until you and George get on the ground.

I also discussed with George the Panagra situation with reference to the West Coast of Colombia. I pointed out that under our original arrangement with Pan American the West Coast of South America was Panagra territory and that this agreement had really been breached when Panair bought control of Seadta. In view of the foregoing their interest in Seadta should certainly not be used to prevent Panagra's having a normal and proper development on the western side of Colombia and that such development would certainly mean at present going into Cali and perhaps at a later date entirely overland via Medellin. Under the circumstances I told him that it seemed to me that the least Panair should do would be to tell Panagra that it was in order for them to get Colombian permit to go to Cali at this time and make this change in the route if corresponding permission was obtained. This would mean facing opposition from Seadta but Panair should at least be neutral in the matter. George seemed to feel that this was a reasonable attitude but stated very clearly that the matter was entirely out of his province and that even Young could not pass on it and that no one could except Mr. Trippe. I nevertheless have in mind going over the same ground with Mr. Young at the first opportunity.

.....

Very sincerely yours,

(Sgd.) H. J. Roig

J. D. MacGregor, Esq.,
Pan American-Grace Airways,
Lima, Peru.

[fol. 261]

GOVERNMENT'S EXHIBIT 110

To ROIG (LONDON)

november 16th 1936.

roig h. S

1 S;

2 before leaving

3 today

4 by air

5 for buenosaires

6 peace

7 conference

8 miguel

9 lopez

10 colombian minister

11 to

12 washington

13 left a

14 message

15 just

16 transmitted to

17 us by

18 colombian consul

19 to the effect that

20 president of colombia

21 would like

22 to see

23 panagra

24 include

25 cali

26 in its

27 regular schedule

28 including

29 buenaventura

30 tumaço

31 sentence ends this

32 looks like

33 real

34 opportunity

35 to improve

36 panagra
 37 position
 38 along lines
 39 frequently
 40 discussed
 41 and as
 42 colombian consul
 43 requests
 44 panagra
 45 answer
 46 to be transmitted
 47 by him
 48 to president of colombia
 49 would appreciate your
 50 discussing matter
 51 with juan
 52 cabling us
 53 your
 54 his views
 55 as promptly as possible

Mr. Garni.

GR-1488

11-4-54

RLA

G 1908

[fol. 262]

GOVERNMENT'S EXHIBIT 111

to ROIG (LONDON)

roigh-11
1220pm

november 17th 1936

NEW YORK SAYS: president of colombia
 would like to see panagra include cali in its
 regular schedule including buenaventura
 tumaco

61 sentence ends as
 62 adoption

63 foregoing
 64 plan
 65 distinctly
 66 well
 67 within
 68 panagra
 69 territory
 70 we do not consider
 71 there can be
 72 any
 73 question
 74 on part of
 75 panair

G022688

GR-5278
 11/18/54
 Olt

G022689

GR-5279

[fol. 263]

GOVERNMENT'S EXHIBIT 112

from ROIG (LONDON)

roigh 8
 9am

november 18th 1936.

NEW YORK SAYS: as adoption foregoing
 plan distinctly well within panagra territory
 etc.

65 have
 66 appointment
 67 with
 68 juan
 69 5 pm today (i.e. Wednesday november 18th)
 70 sentence ends
 71 have you
 72 discussed

570

73 cali or

74 third

75 trip

76 with

77 thatch

78 er

79 rihl

80 I will not

81 discuss

82 latter ?

83 with

84 juan

85 unless you advise to the contrary

Mr Garni

G 1925

GR-1490

11-4-54

RLA

G 1926

GR-1491

11-4-54

RLA

[fol. 264]

GOVERNMENT'S EXHIBIT 113

roig 9

from ROIG, London

Nov. 19, 1936

9: am

1 9 your 18?

2 your 11

3 1/60 words

kirby returned advising etc.

4 shown

5 to juan

6 and

7 pointed (out)

8 feasibility

9 and

10 desirability (of)
11 operation-s
12 and
13 importance (of)
14 availing (of) /
15 this opportunity
16 suggesting
17 if his
18 seadta
19 interest-s
20 conflicting
21 he
22 remain neutral
23 leaving
24 matter
25 our hands
26 XX he
27 advanced
28 no
29 argument-s
30 contra
31 but
32 took
33 position
34 proposal
35 was
36 impossible
37 because
38 his
39 original
40 agreement with
41 van bauer
42 and
43 colombian government
44 and
45 purchase
46 seadta
47 stock
48 making
49 possible
50 treaty-ies

51 under which
52 we were
53 enabled

GR-7238 12/14/54

[fol. 265]

54 bid on
55 our
56 route and
57 operate
58 in colombia
59 imposed (by)
60 obligation-s
61 not to
62 operate
63 in the interior
64 colombia
65 S.E.
66 he says
67 situation
68 fully
69 explained
70 at
71 early
72 meeting
73 hoyts
74 office
75 at which
76 Patchin
77 cogswell
78 present
79 XX I
80 stated
81 we were
82 never
83 party (to)
84 such
85 agreement-s and
86 president-s
87 action-s
88 made

89 present situation
90 force majeure
91 and we
92 could
93 rely (on)
94 president
95 deal with
96 scadt
97 but he
98 replied
99 will/would create
100 impossible
101 position
102 and on my
103 continuing
104 press
105 suggested
106 settlement
107 colombian
108 question

GR-1502

[fol. 266]

109 by WRG
110 purchasing
111 part of
112 pan
113 air
114 interest in
115 scadt
116 which we
117 think we should
118 consider
119 sentence ends although
120 he
121 would not agree!!
122 I think
123 we should
124 reply to
125 president

574

126 that
127 suggestion
128 is
129 most
130 interesting
131 and we are
132 investigating
133 and
134 taking up
135 with our
136 associates
137 sentence ends
138 meanwhile
139 should
140 study
141 operating
142 plans
143 sentence ends Juan
144 left
145 London
146 due New York
147 December 2nd
148 your 11
149 98th to 213th word

G1920

GR-1503

[fol. 267]

GOVERNMENT'S EXHIBIT 114

11/19/36

Mr. Roig's cable states that Mr. Trippe took the position it was impossible for Pan American-Grace Airways to operate through Cali because his original agreement with Von Bauer and the Colombian Government and the purchase of the Scadta stock making possible treaties under which we were enabled to bid on our route and operate in Colombia, imposed the obligation not to operate in the interior of Colombia.

The facts as I can gather them are as follows:

Scadta was for a number of years refused permission to land in the Canal Zone. Accordingly, when the airmail service was started, there was an obstacle to obtaining landing rights on either the east coast or the west coast of Colombia. The State Department was then willing to let Colombia into the zone in exchange for reciprocal rights, but the situation then was that Scadta was more anxious to keep American companies out of Colombia than get into the Canal Zone.

In December 1928, preliminary discussions were begun between the Department of State and the Colombian minister to Washington. As a result of these negotiations, there was a formal exchange of notes dated February 23, 1929 whereby reciprocal rights were granted.

G061930

During January 1929, negotiations had been conducted by Pan American Airways with Scadta for the reciprocal use of the two companies of the facilities of each in the Canal Zone and in Colombia. This resulted in arrangement of January 28, 1929, copy of which is hereto annexed. GR-11568

In February 1929, Pan American Airways posted a bond of \$25,000 with the Colombian Government in exchange for procuring flying rights. Under date of February 28, 1929,

1-31-55

F

[fol. 268] Mr. Trippe, in behalf of Pan American-Grace Airways, Inc., submitted letter to the Post Office in reference to its bid, in which was stated:

"We have arranged for service between Cristobal, C.Z. and Guayaquil, Ecuador, through sub-contract to Pan American Airways, our affiliated company which already holds foreign mail contracts with your Department in the Caribbean, in Mexico and along the North Coast of South America.

Pan American Airways, as a result of many months efforts, is qualified and bonded to operate in the Canal

Zone under the executive order, dated September 28, 1928 and February 18, 1929.

For over two years, Pan American Airways has been attempting to secure operating permits from the Colombian Government. In this connection conferences have been had with executives of the Seadta, the German controlled Colombian air transport company, over a period of years in New York, in Berlin and in Colombia. Through these conferences an agreement was finally reached with Seadta whereby Pan American Airways enjoys the exclusive use of Seadta's technical facilities on the coast of Colombia. These facilities built over a period of years at a cost of over a quarter of a million dollars are essential to the early operation of the dangerous section of this route owing to the prevalent fog and extreme tide conditions. (f) and (g) It is expected that Pan American-Grace Airways will have acquired proper facilities equal to those now owned by Seadta at the points of call between the Canal Zone and Ecuador, a distance of 900 miles, would require least eight months."

When service was started on Route No. 9, it was carried on by Pan American Airways between Cristobal and Guayaquil due to the fact that Pan American-Grace Airways did not have operating rights in Colombia. These rights were obtained under date of November 4th, 1929, at which time bonds were deposited with the Colombian Government by Pan American-Grace Airways.

G061931

GR-11569

If Mr. Trippe means that there was an agreement with the Colombian Government that if they would enter into the reciprocal agreement with the United States we would not fly in the interior of Colombia, this, of course, could be changed by mutual agreement with the Colombian Government at any time. If he means that he made such an agreement [fol. 269] with Seadta in order to induce them to withdraw their objections to the reciprocal agreement, I

can find no evidence that we had notice thereof. There is no reason why we should be bound by such an agreement any more than any other American company which undoubtedly could qualify under the reciprocal arrangement.

Certainly, to have had the effect stated by him, such an arrangement must have been made before February 23, 1929 and I am almost certain Panair had no interest in Seadta at that time and absolutely certain that if they did we had no notice thereof. I do not know when Panair did acquire their interest in Seadta or when we received notice thereof, but I do know that under date of January 1931, an arrangement was signed with Von Bauer in connection with Ecuador when Von Bauer was in New York and at that time we did not consider Panair had any agreement with Seadta.

If the arrangement claimed by Mr. Trippe was actually made, it is difficult to understand how UMCA is operating in the interior of Colombia.

W F C

G061932

GR-11570

[fol. 270]

GOVERNMENT'S EXHIBIT 115

Air Mail 11.20.366

Stgo 11.24

CCJTK

NEW YORK, November 20, 1936.

John D. MacGregor, Esq.,

BUENOS AIRES (Copy to Santiago).

Dear Mac:

In my cable to you of today regarding the third trip, Argentine, etc., I added a few words to the effect that I was air mailing you today a letter with details regarding an interesting Colombian development.

Before leaving by air for the Buenos Aires Peace Conference, Miguel Lopez, who as you know is the Colombian Minister to Washington, left a message which has just been transmitted to us by the Colombian Consul. This message is to the effect that the President of Colombia would like to see Panagra include Cali in its regular schedule including Buenaventura and Tumaco.

G061927

Kirby returned on Monday of this week from Colombia and he advises that when he visited President Lopez last week the latter informed him that he had already written to Miguel. Kirby explained to President Lopez that if the line were deviated through Cali the entrance to Colombia would probably be Bahia Solano where the planes 1-31-51 might possibly refuel, and President Lopez raised

F no objection to the elimination of the Buenaventura call nor to the route as outlined, which would continue from Cali to Popayan and down the coast either via Tumaco or eliminating Tumaco when the more direct route Popayan/Guayaquil had been thoroughly surveyed.

We transmitted all of the foregoing information to Roig GR-11571

[fol. 271] in London, requesting that he discuss it with Trippe with whom he had an appointment yesterday.

In our cable to Roig we added that as the adoption of the foregoing plan is distinctly well within Panagra territory, we did not consider there could be any question on the part of Panair.

Roig discussed it with Trippe pointing out the feasibility and desirability of this operation and the great importance to Panagra of availing of this opportunity.

Roig suggested that if his Scadta interests were conflicting, that he remain neutral, leaving the matter in our hands.

G061928

In a cable from Roig today he advises that Trippe advanced no arguments in contra, but took the position that the proposal was impossible because his original agreement with Van Bauer and the Colombian Government and purchase of Scadta stock making possible treaty under which we were enabled to bid on our route and operate in Colombia, imposed an obligation not to operate in the interior of Colombia, saying that the situation had been fully explained at an early meeting in Hoyt's office at which Patchin and Cogswell were present.

Roig stated we were never party to such an agreement and the President's action made the present situation force majeure and we could rely on the President to deal with GR-11572.

Scadta, but Trippe replied that this would create an impossible position and on Roig's continuing to press Juan suggested a settlement of the Colombian question by W. R. Grace & Co. purchasing part of Panair interest in Scadta. [fol. 272] While Trippe did not agree, Roig feels very strongly that we should reply to the President of Colombia that the suggestion is most interesting and that we are investigating and taking up this matter with our associates and that meanwhile we should study the operating plans.

We have discussed this matter today with Patchin and Cogswell, neither of whom have any recollection of the obligation not to operate in the interior of Colombia referred to, nor has Mr. Inglehart who, as you will recall, discussed a great many of these matters with Hoyt at the beginning.

Irrespective of any opposition on the part of Scadta, we feel that the proposed operation is so manifestly in the interest of Panagra and to the convenience of Colombia that we should never lose sight of this objective and see that it is achieved.

I shall take advantage of my presence at the Canal to discuss this matter with Harris, who I understand has a detailed knowledge of Colombia, as has also Campbell who accompanies me on my trip.

I do not expect to remain at the Canal for more than two days.

With best regards,

Sincerely yours,

G061929

(Signed) A. GARNI

GR-11573

[fol. 273]

GOVERNMENT'S EXHIBIT 116

Rec'd—9 DEC

PANAIR DO BRASIL, S. A.
EDIFICIO A NOITE—RIO DE JANEIRO

Rio de Janeiro,
November 30th, 1936.

Mr. A. Garni, Vice-President,
W. R. Grace & Co.,
7 Hanover Square,
NEW YORK CITY.

My dear Adolf:

I have your letter of November 20th which reached me from Buenos Aires yesterday.

What you have to tell me with regard to the Colombian situation is extremely interesting. Frankly I think we are headed for a complete show down with our associates. I had, of course, anticipated opposition on the question of running into Cali. It is rather surprising however to learn of the very arbitrary interpretation given to the Tri-Partite agreement you mention in the fourth paragraph of the second page of your letter. We had, as you say, no intervention of any kind in the Scadta deal and I can readily see your point of view that where we had no knowledge we could not be bound by the terms of any agreement which might at any time affect the efficient operation of our services. The suggestion made in the last paragraph of the

second page is quite naive. I think the deal you mention must stand on the books of our associates at somewhere in the neighborhood of \$1,000,000 and I have no doubt that the investment you mention would be offered at about a fourth of that sum for a 25% interest of our associates' participation which I think is 85%. That would be a hefty price to pay for an interest in a company in which, according to our associates, there is no voice in the management. I am basing my assumption on the attitude assumed by our associates in connection with the extension to Salta. I believe they have in mind whatever they can get over \$50,000 for releasing us from what has never been anything more than a gentlemen's agreement and an agreement which could never, for obvious reasons, be reduced to writing.

I am hoping that in addition to your conversation with Harris at the Canal you are taking steps to have at least a survey, made from the ground, of the Cali and Popayah regions. Possibly you will use Douglas Campbell for this assignment although I would prefer to see a survey made by a purely Grace or outside individual, as Douglas has been closely affiliated with Panagra of late months and has an official title in our company.

Yours truly,

/s/ J. D. MacGREGOR

1-31-55

E

GR-11577

McC:OF

G061922

PAN AMERICAN AIRWAYS SYSTEM, A MAIOR
REDE DE TRANSPORTES AEREOS DO MUNDO

[fol. 275].

GOVERNMENT'S EXHIBIT 118

March 1, 1937.

Mr. Roig

Memorandum for Mr. Garni:

PANAGRA

You will take up the matter where Roig left off and concentrate on an endeavor to obtain three things:

- (1) An adequate service to Panama.
- (2) Entry into Cali.
- (3) Service through Bolivia.

The task of accomplishing this is a very difficult one and I do not think you will get Trippe to come along unless you build a pretty big fire under him. It will perhaps be big but not so big that we can't put it out at any time.

PANAMA SERVICE *

I attach herewith copy of Lima's Pansago cable No. 30 and also copy of a letter written by Boxhorn to Mr. Henry Morgan and you can get further details about this incident which brings out very clearly the fact that we are not going to be able to build up an international service unless we get a really adequate service between here and Panama, and unless it is closely correlated with Panagra. There are several things that you might do. One is to talk it over pretty frankly with Harlee Branch. The second is [fol. 276] that Douglas Campbell might begin a careful study looking toward our putting in our own service from Miami to Cristobal and possibly continuing on to Cali by way of Medellin. Douglas might speak to Rickenbacker to see whether we could use his terminal at Miami for amphibians and get him to do our terminal shop work. This would give our service a great advantage as it would connect up on the same field with Eastern Air Lines and we

could run a complete direct service from New York through Buenos Aires.

The third thing that might be done is that Douglas might go down to Colombia stopping off in Havana and having our lawyer there begin a thorough study of the question of our getting permission to land in Cuba. He might also stop off at Kingston and see whether we could get a permit to stop there, after which he could proceed to Columbia to study the question of getting permission to go to Medellin and/or Cali by acquiring one of the old connections or getting a new one.

I think you ought to see Trippe and give him a clean-cut notification that if he backs Scadtá in going to Guayaquil or Quito or helps them to do so, we will be entirely free to [fol. 277] enter into competition with him as we would consider it a definite breach of his agreement with us.

I think that our activities as above indicated will reach Trippe and once he sees that we are serious about it, I think we will be able to make a trade with him on the three points to which I have referred above.

I would suggest that you should study this all out and let me have your views discussing them with Roig by telephone if necessary.

D. S. I.

(Dictated by telephone
from Florida)

[fol. 281]

GOVERNMENT'S EXHIBIT 119

GASPARILLA INN
Boca Grande, Florida

copy of handwritten letter

Dear Garni:

I have sent Miss Boucher a memo for you, with copy to Mr. Inglehart, regarding his memo of March 1st, points

"2" and "3", just in case I did not make the points I have in mind entirely clear to Cogswell and Campbell. I have not gone into point "1" as that is a larger subject which will probably be open when I get back. Whether it suits to meet one breach of agreement by threatening another is a point I find it hard to decide. It may depend somewhat on whether we would prefer to scrap Panagra at the expiration of the present mail contract and form a company of our own to compete with Panair on the new contract. There is a good deal to be said for this but I confess I haven't yet been quite able to bring my mind around to it. The risk, of course, is that the new mail contract might go at a ruinously low figure and if we got it we might still have Panair competition direct or through Seadta. I doubt, however, that this would suit Trippe any better than it would us. I do not see, therefore, but what we are in a position to take as strong a stand on any of these points as necessary for their accomplishment.

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GR-5307

Very sincerely,

(sgd) HAROLD J. ROIG

11/22/54
JPC

G029253

March 5, 1937

[fol. 282]

GOVERNMENT'S EXHIBIT 120

March 8, 1937

MEMORANDUM FOR MR. GARNI

PANAGRA

I explained fully to Cogswell and Campbell my ideas regarding Items "2" and "3" in Mr. Inglehart's memorandum of March 1st.

Briefly I think you should first be actually elected to the Board. This is definitely arranged and it has just been a case of getting Trippe to attend a meeting to do. It was to have been done at last week's meeting which was postponed on account of his absence in Washington. I hope it was held this week and this matter disposed of. The next thing is to get the two DC-3's definitely ordered and allocated against Panair's option with Douglas in order to get a prompt delivery. This was practically agreed to last week and has I hope been closed by now.

With these two matters out of the way my thought was to put it definitely up to Trippe that we must go into Cali and that he must control Scadta's competing with us on the West Coast; the former on the ground that Cali is definitely in Panagra's territory under our agreement and the latter on the ground that Scadta's expansion on the West Coast is in direct violation of that agreement.

GO29251

If he objects to Cali on the same ground he did in London we should at least be freed to handle the matter with the Colombian Government and Panair should take a neutral position. If he refuses or claims to be unable to control Scadta's expansion in our territory I think we should tell him that then Scadta simply becomes a part of the foreign competition which, with the cooperation of the State and Post Office Departments, we are now battling on the West Coast and that we will take it up with those departments in GR-5305

11/29/54 PJS

[fol. 283] the same way that we have Condor and other foreign competition, and this, if he fails to come along, I should do. After all the recent talks with the Government about foreign competition and the interest they have shown in helping us to meet it, it is simply unthinkable that we should be cherishing and protecting a foreign competitor right in the Panair family.

Regarding Bolivia/B.A. extension, you will have seen on your return that he had arranged so far as Bolivia was concerned, to go right through to the Argentine border. We

also proposed starting in April provisional service between Cordoba and Tucuman. Trippe refused to agree to this until the "Nybra settlement" was agreed to. We asked Panair for details of the \$90,000 but while these have been prepared Trippe had not yet released them. If, as I assume they are on a mileage basis, it is obvious that these particular miles are not worth anything like the East Coast Nyrba mileage which Trippe had to buy in order to get a satisfactory East Coast mail contract. If we valued them at 1/10th it would be liberal. The many reasons for this are well known to you. Any idea that Panair is entitled to any consideration for having "kept the flag flying" in the Argentine is, of course, unfounded. We are the ones who have done that for Panagra has paid $\frac{2}{3}$ of the B.A. office expense and I had thought to throw into this discussion the idea that the time had now come for us to definitely take charge of that office.

Campbell is familiar with the discussion I had with MacGregor and Harris about moving Kirkland to B.A. Whatever we do in this connection, I think we should be careful not to weaken Santiago's control. I spoke to both Campbell and Simon about this.

H.J.R.

GR-5305

G029251

[fol. 284]

GOVERNMENT'S EXHIBIT 121

PANAMA AGENCIES CO.
CRISTOBAL, C.Z.

ORIGINAL AIR MAIL LETTER

Copy Follows By Steamer

Mr. Garni
Mr. Campbell
Please return to

Rec'd
3/16/37
ans'd
3/25/37

VIA AIRMAIL

Cristobal, C. Z.
March 12th, 1937

#3 (HJR Panagra Series)

Mr. Harold J. Roig, Esq.,
Vice-President
W. R. Grace & Co.
7 Hanover Square
New York, N.Y.

Dear Mr. Roig:

We received this morning a new page for Panair system Tariff giving time tables ten and eleven covering their joint service in Colombia with Seadta. This page is shown as being effective February 15th, 1937. You may have already seen this time table but if not, I suggest that you secure one as it shows the projected service of Seadta from Cali to Quito, with a weekly plane in either direction. Also shown on the Tariff is the rail connection which is made from Cali to Buenaventura.

If Panair Seadta inaugurate this extension of their service from Cali to Quito they will be paralleling our route

between here and Ecuador, and no doubt it would not be long before they further extend their line from Quito to Talara where they could easily hook up with Fawcett and compete with us through Peru and even through to Chile by using the Chilean Government service.

This appears to be a serious threat to Panagra service and especially since the projected service of Seadta from Cali to Quito will be serving the interior capitals of Colombia and Ecuador, whereas Panagra skirts the coast.

Very truly yours

PANAMA AGENCIES COMPANY

/s/ E. J. BROWN
MANAGER

EJB:PB

GR-1566

10-26-54 PJS

G007007

[fol. 285]

GOVERNMENT'S EXHIBIT 122.

Mr. Roig

SANDOWAY EAST
DELRAY BEACH, FLORIDA

J. L. BROWN
Manager

Mar 13, 37.

Dear Garni,

Panagra.

This is a very perplexing problem. I appreciate the danger of starting competition with him. But he has already started competition with us of the most Machiavellian and effective type. Talking with him will get nowhere. It never has, only pressure counts.

W. R. Grace & Co. might advise Pan Am officially of what is happening regarding Bolivia-Argentine extension and

Panama Seadta situation and state that in order to prevent serious prejudice to Panagra W. R. G. & Co. *proposes to start the service in the Argentine and start a direct service Miami to Cristobal* but offering these services to Panagra at cost, etc. etc. Making clear that our interest is merely to obtain fair treatment for Panagra and to give that company the great development to which its accomplishments and its preferential geographical position entitles it. Think this over and talk it over with Roig.

Yours sincerely,

s. D. S. I.

GR-1567

11-5-54 PJS

GR-1568

GR-1569

G019215

G019216

G019217

[fol. 286]

GOVERNMENT'S EXHIBIT. 123

3/26/37

242A

Panagra

In the early days of Panagra and before Pan American had purchased Nyrba, it was felt that in view of the general relationship between Panagra and Panair and the interest of Panair in Panagra, there should be some general understanding as to the respective sphere of activity of the two companies. A gentlemen's agreement was accordingly reached that Panagra's activities would cover the West Coast of South America and Pan American the East Coast and that in respect of the Argentine, Panagra's only interest would be in the line between Mendoza and B. A. and thence to Montevideo. This was definitely a gentlemen's agreement covering the respective ideas of policy as they existed at that time. It was not contemplated that this understanding was not subject to change when it suited the mutual interest or that in the event of such change money payment should be required by one company to the other as a condition to such change.

G037160

Pan American departed from this agreement when they purchased Scadta to the extent that Scadta operates on the West Coast of South America, violated again in the organization of Umea to the extent that this company diverts West Coast traffic and will violate again if Scadta extends to Quito. Panagra and W. R. Grace & Co. did not object or ask for any money payment from Pan American in connection with any of these operations because at the time they were not prejudicial to Panagra or in any event Panagra was not in a position to give the corresponding service. Similarly, when in the interest of Panagra it was necessary to take prompt action in order to secure the La Paz service, W. R. Grace & Co. secured operating rights in their own name and took the full responsibility for having to operate this service until Panagra was prepared to take it over. They transferred these operating rights to Panagra without receiving or even asking any payment and they 12/21/54 F

GR-7264

[fol. 287] have ever since provided Panagra with full service in Bolivia including not only routine handling of the service but constant concession and other governmental negotiations without receiving or asking any increase in their annual agency fee.

6037161

Pan American at that time did not own the Argentine and do not own it now. They did not at that time have and have not now any tangible or intangible rights or operating permits or other facilities to be turned over to Panagra in connection with the Scadta service.

When about a year ago in the interests of Panagra it became desirable to divert the Mendoza Buenos Aires service through Córdoba Mr. Trippé made it a condition to his giving consent to this as a director of Panagra that they recognize some payment to Panair if later on Panagra should wish to extend to Salta, and this was agreed to in order to make possible this necessary Panagra development. This was the first time that any suggestion was made of a money payment to Panair in the event of any departure from the gentlemen's agreement above referred to. This

money payment was related to Nyrba and it was known that the amount could not be large as no part of Panair's purchase price of Nyrba had been paid to secure the Salta service but rather to secure an East Coast mail contract. The first amount mentioned by Mr. Trippe was \$25,000. This was subsequently increased to \$90,000. During the last month this has been further increased to a minimum of \$125,000, a maximum of \$345,000 and an offer of settlement based on payment of \$50,000 cash and the balance up to \$245,000 out of earnings. In agreeing to Panagra's operation of the Salta service Panair are turning over nothing to Panagra and are depriving themselves of nothing except an academic right to run a service to Salta themselves which they have not exercised during the past eight years. GR-7265

[fol. 288] which they could not exercise now in connection with their Asuncion cut-off as their schedule does not permit of time for such diversion and which they could not operate as a separate service except at a loss. Their talk of operating the Salta service themselves now, therefore, is a mere specious make-weight to justify impossible and entirely unreasonable demands.

Rejo.

March 26, 1937

G037162

GR-7266

[fol. 289]

GOVERNMENT'S EXHIBIT 124

Panair files

Claimed payment based on Panair losses and expenses in the Argentine is without basis:

- 1—There was never any agreement to recognize these expenses, the only expense undertaken to be recognized being that in connection with the purchase of Nyrba.
- 2—Under the agreement Panagra agreed to a "hands off" policy in the Argentine to enable Panair to develop that field if they wished to and were able to. Their efforts

in this direction have been a complete failure and nothing whatever has been developed which they are turning over to Panagra. There is certainly no moral obligation to contribute to these fruitless attempts carried on for Panair's own benefit and resulting in nothing.

- 3—A not inconsiderable part of these "expenses" represent work done by Panair's B.A. office organization (Bradley, etc.) to the expense of which Panagra have already contributed two-thirds of the annual budget and at the beginning contributed also to a large amount of Argentine development expense. It is fair to bear in mind, however, that in these earlier expenses there was always a certain amount allocated to Panair's special activities.
- 4—The present Panagra Argentine program has not been facilitated in any way by the above activities and would have been just as feasible if these activities had never occurred.
- 5—The present Panagra Argentine plan offers the best possibility for Panair's making money in the Argentine and they have a better chance of recouping their losses in this way than any other but there is no basis for them in addition claiming special payment.

Delay in air mailing a c Pan Air delayed schedule

G037606

March 31, 1937

GR-7268

12-20-54

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[fol. 290]

GOVERNMENT'S EXHIBIT 125

Memorandum of conversation at the University Club,
on the morning of April 6, 1937

The Colombian situation was again discussed from various angles but without concrete results. Mr. Trippe repeated what he had said the night before, namely, that

should Seadta extend to Ecuador against the wishes of Pan American-Grace. Pan American would have no recourse but to dispose of its interests, but he felt that some agreement could be reached which would not necessitate this step. Mr. Trippe again insisted that there was an agreement between the W. R. Grace interests and Pan American covering the territory in which Pan American-Grace was to be dominant and without competition on the part of Pan American or its subsidiaries, and that while he felt it would be quite in order for Pan American-Grace to operate through Cali, he did not think it would be equitable for that company to expect to be allowed to serve Medellin. He also said he believed that now was the time to put in writing exactly what Pan American-Grace could and could not do, as well as Pan American, and he thought this agreement should be signed by Pan American Airways and W. R. Grace & Co., Pan American undertaking to see that Seadta lived up to the arrangement or sold out. Mr. Roig agreed that a written statement of the position of both companies would be desirable if an agreement could be reached, and Mr. Trippe suggested that he draft up something that would be acceptable to the Grace interests, which Mr. Roig promised to do.

George L. Rihl

105

[fol. 291]

GOVERNMENT'S EXHIBIT 126

JDM-GV #16

AIR FRANCE—PARAGUAY

PANAIR PANAGRA—ARGENTINA COLOMBIA

NEW YORK

April 7, 1937.

Mr. G. Vidal,
SANTIAGO

We are at present in the thick of a battle royal with Panair on both the Argentine and Colombian questions.

We are demanding the right to go through Medellin, if necessary, as well as to divert our line via Cali. We have also taken the position that a survey flight by SCADTA to Quito would be an infringement of our agreement with Panair as to division of territory. Von Bauer is here at present and I believe is showing himself completely recalcitrant and unreasonable.

PAG - W 612

10-1-54

J. D. MacGregor.

ACD

JDM/Q

cc: HRHarris

W342

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[fol. 292]

GOVERNMENT'S EXHIBIT 127

PRIVATE AND CONFIDENTIAL

April 12, 1937

MEMORANDUM TO MR. ZALLES:

COLOMBIA

1—The Kellogg-Olaya treaty made between the United States and Colombia about 1929, provides:

"Commercial aircraft of U. S. registry will be permitted to fly along the Atlantic and Pacific Coast of Colombia and over the territory immediately adjacent to them; to land on land or water, take fuel, make repairs, discharge and receive passengers, mail and freight in the Colombian port where there are authorities capable of enforcing the regulatory formalities, subject to the regulations and dispositions equivalent to those established for commercial aircraft of Colombian registry annexed to this note."

This is, I believe, the only treaty giving American planes any flying rights in Colombia. You may recall that in

return Colombia received the right to fly to and over the Canal Zone. It is under this treaty that Panair have operated their line along the north coast of Colombia and Panagra theirs along the west coast, actual operations being conducted under permit from the Colombian Government, subject to termination on sixty days' notice. You will note that under the treaty, Panagra operations are practically limited to over-water flying but it is to be borne in mind that at the time of the treaty this is the way the route was being operated and in fact the only way it could have been operated as land planes at that time had not been developed suitable for overland operation along the west coast of Colombia.

G031046

GR-7271

12/13/54

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*2—Early in the association between Panair and W. R. Grace & Co. and the formation of Panagra, there was a gentlemen's understanding between the two interests that Pan American's field of activity should be the East Coast of South America and Panagra's, the West Coast, plus the international line in the Argentine between Mendoza and B.A. Under this arrangement, it was always our under-

6.

standing that although we were flying over the Pacific, [fol. 293] the West Coast of Colombia, with whatever that might include, was within our sphere of activity. We, of course, realized that Scadta was operating throughout the interior of Colombia but that, as we understood until some time later, was a wholly independent operation which had no bearing on the Panair/Panagra understanding. Along about 1932, we learned for the first time that Panair had acquired a large interest in Scadta, the extent of which we did not know until the Post Office mail contract investigation when it appeared to be about 84%. This we have since learned is now about 72%.

*3—With the improvement in land planes inaugurated by the Douglas DC2 (which we are now using in our land operations south of Colombia), furthered by the DC3 (some

of which we now have on order); and probably brought to a high state of development by the proposed Douglas 4-engine plane, the time is not far distant when we will be able to operate our international line overland across Colombia, thereby, of course, greatly improving the service we are able to give to that section of the country. Panagra is contributing, along with other American airlines, to the experimental and development expense in connection with the 4-engine Douglas land plane above referred to. With a view to preparing ourselves for the above development we recently took up with Pan American the question of diverting our international line to go through Cali entering Colombia by way of Bahia Solano, omitting Buenaventura and coming out at Tumaco. We have made one flight over part of this route and while our investigations have not been completed, reports to date indicate that this is a feasible route. We have also taken up with Panair the possibility of later developing the main line south of Cali overland to Guayaquil, connecting by shuttle service to Quito and later on, if it proves feasible, running the direct line through Quito. Similarly, north of Cali we have suggested the later

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[fol. 294] possibility of running overland to Cristobal, possibly by way of Medellin and Turbo. All of these extensions would, of course, involve permit from the Colombian government which would include not merely the right to run the international line over the routes indicated *but also to carry cabotaje passengers mail and express*. Panair have stated in these discussions that in order to make possible the Kellogg-Olaya treaty they had purchased the major portion of the stock of Scadta and in connection with that purchase had made an agreement with Scadta that Panair and Panagra would combine their operations to the Atlantic and Pacific Coasts and would leave the interior business in Colombia to Scadta. Panagra was not a party to this agreement and knew nothing of it until it was mentioned in these discussions and are of course not bound by it. Nevertheless it seemed advisable to consult Von Bauer's views and on his recent visit to New York, George Rihl, of Pan American, talked to him and has reported to us that Von Bauer

stated that he had no objection to Panagra's going into Cali and diverting their international line north and south of Cali on the routes indicated even including Medellin, provided we did not carry cabotaje traffic between Cali and Medellin. Pan-American, however, object to Panagra's going to Medellin partly because they consider that Medellin is not western Colombia and partly because Panagra would compete with Umea between Medellin and Cristobal. Umea is owned by Panair and prima facie their operation of this line would be in violation of their understanding with Seadta regarding interior services in Colombia but they state that Von Bauer was agreeable to this at the time as he preferred that Mejia who had the Cristobal Turbo Medellin concession work with Panair rather than outside interests who might be hostile to Seadta.

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[fol. 295]

GOVERNMENT'S EXHIBIT 128

end teriam 1 From ZALLIES (bogota) April 15, 1937
9am

- 1 1:
- 2 president
- 3 very
- 4 cordial
- 5 but
- 6 showing no interest
- 7 our plan
- 8 he told me
- 9 seadta
- 10 will establish
- 11 service
- 12 cali
- 13 popayan
- 14 paste
- 15 quito
- 16 where
- 17 he
- 18 thought

19 test flight-s
20 was made
21 however
22 told me
23 will discuss it with
24 cabinet
25 and
26 will call
27 me
28 again
29 sentence
30 as he
31 fully aware
32 harris
33 negotiating
34 concession-s
35 quito
36 our/my impression is
37 that
38 his
39 cold
40 attitude
41 toward
42 panagra
43 due to
44 our
45 not acting
46 promptly
47 on his
48 suggestion
49 through
50 consul general
51 sentence
52 we/I suggest
GIR-1577
10.21.54 PJS

Dawson

continued:

G 1865

[fol. 296]

- 53 approach
- 54 colombian minister
- 55 washington
- 56 explaining
- 57 to him
- 58 reason
- 59 for
- 60 delay
- 61 and
- 62 induce him
- 63 to cable
- 64 president
- 65 endorsing
- 66 our plan
- 67 sentence
- 68 at present
- 69 venezuelan
- 70 diplomatic
- 71 mission
- 72 here
- 73 discussing with
- 74 scadta
- 75 establishment
- 76 service
- 77 caracas
- 78 bogota
- 79 quito
- 80 sentence
- 81 will cable later
- 82 further developments

ZALLES

G 1866.

GR-1578

[fol. 297]

GOVERNMENT'S EXHIBIT 129

COPY

Memorandum of telephone conversation between Mr. Garni and Mr. Rial on the morning of Monday, April 19th '37

Mr. Garni called me shortly after I had finished talking with Mr. Roig. He said he wanted to call my attention to what might happen in case we went through with the sale of stock to von Bauer that is being contemplated. He stated that when W. R. Grace was making an agreement with the Chilean Navigation Company, regarding traffic agreements on the west coast, etc., it was found necessary to consult the various departments at Washington as even the War and Navy Departments were interested, and that they filed a copy of the agreement as finally signed. Mr. Garni pointed out that the amount offered by von Bauer for approximately 53 or 55% of the Seadta stock was, in his opinion, four times what it was worth from a commercial viewpoint, taking into consideration the balance sheet that Mr. Roig had shown him. Mr. Garni further stated that the only reason von Bauer could be interested in the stock at such a figure was because he had a government back of him, and it was to be supposed it was Hitler. I told Mr. Garni that I would mention the matter to Mr. Trippe but that the price being offered us was not as much as we had originally paid von Bauer. I stated that we gave von Bauer something over \$400,000 in cash and 23,000 shares of Pan American Airways stock. Mr. Garni did not seem to understand at first what I had said about the number of shares of stock being in addition to the cash, as he said that paying von Bauer something over \$400,000 was less than Mr. Trippe stated the company had cost, which Mr. Garni understood to be around \$1,300,000. I repeated to Mr. Garni that in addition to the cash, we had paid von Bauer 23,000 shares of our stock, and then he said we had made a bad deal. I told him it was necessary to pay this in order to get hold of Seadta, which was important at that time in order that we could get rights through Colombia.

Mr. Garni stated that the W. R. Grace interests were very much concerned over the happenings of the weekend.

and I asked him what he would have us do. My memory is that Mr. Garni said he could not advise us in that as it was a matter for us to settle ourselves. He brought up the question of Pan American-Grace immediately proceeding to try to get permission to go into Cali, and I told him the same as I had told Mr. Roig previously, namely, that I thought it best to wait to see what kind of a deal we could make with Scadta for their cooperation. I further stated it was my understanding that Mr. Trippe hoped to work out some agreement with Scadta that would not mean cut-throat competition between the respective companies, and that it was also my understanding that von Bauer was agreeable to such arrangements.

I also told him that Mr. Trippe had agreed to send over to Dr. von Bauer a draft of an agreement. I might say here, that I also told Mr. Roig in my conversation with him, that the deal with Scadta was to be contingent upon some working agreement between Pan American and Scadta which would, of course, compromise Pan American-Grace to a certain extent. Mr. Roig insisted that any agreement that was made should be shown to Pan American-Grace, and I said undoubtedly that would happen as probably the agreement would provide for some kind of guarantee of performance, and Pan American-Grace would naturally be in a position to break any agreement made by Pan American.

Mr. Garni asked me to talk the matter over with Mr.

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[fol. 298] Trippe and arrange a meeting between Pan American and the Grace interests when the subject could be discussed again.

G.L.R.

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C O P Y

Memorandum of conversation held between
Messrs. Trippe, Garni, Roig and Rihl in Mr. Trippe's
office on the morning of April 22, 1937

Mr. Garni opened the conversation by asking Mr. Trippe what was to be done in view of the recent developments in Colombia, i.e., survey flight by Scadta to Quito and the information received from von Bauer regarding the cancellation of Scadta's basic contract. Mr. Trippe replied that he did not quite know, but thought we should work out some arrangement whereby Pan American-Grace interests could be protected in line with the original understanding as to its sphere of activity in relation to Scadta's. Mr. Trippe further explained that the probabilities were that the cancellation of Scadta's concession was due directly to the delay in that company making a survey flight to Quito, which was made necessary at the direct request of the President of Colombia. Both Messrs. Garni and Roig stated that they did not believe the delay in making the flight had anything to do with the cancellation, but rather it came as a result of the enmity of some local official, as they had received advice that the Postmaster was not friendly towards Scadta, and the probabilities were there were other interests that were trying to encroach on the Scadta operation.

Mr. Trippe then explained that it was not his desire to hold the W. R. Grace interests responsible, and that Pan American was perfectly willing to take any loss that might be due to the cancellation of Scadta's concessions. However, he did feel that Pan American-Grace should buy half of the interest Pan American held in Scadta, the price to be determined by arbitration if it was not possible to arrive at a price by mutual agreement. Both Messrs. Garni and Roig objected to arriving at a price by arbitration and stated that they did not feel Pan American-Grace could afford to buy an interest in Scadta, even though the price was very considerably lower than the figure mentioned by

Mr. Trippe as what he considered our interests worth, and what von Bauer had offered for 15,000 shares of Seadta. Von Bauer offered, previous to the receipt of information about the cancellation of the contract, 10,000 of P.A.A. stock, or approximately \$667,000 for 15,000 shares of stock. Mr. Trippe stated that he realized that the cancellation of the Seadta concession would probably mean that von Bauer could not uphold his offer, but insisted that Pan American-Grace should participate in the ownership of the stock in order to avoid conflicting interests. There was a great deal of discussion on this subject, with the final result that Messrs. Garni and Roig flatly refused to consider the purchase by Pan American-Grace of an interest in Seadta as they felt that Pan American-Grace could get into Colombia through a local subsidiary on much more favorable terms than would be possible by making a deal with Pan American. They stated that Pan American-Grace had been requested to make a survey flight via Cali with a view to eliminating Buenaventura as a stop on their regular service, the request coming from the Colombian Government. Mr. Trippe did not oppose the idea of making a survey flight but did state that he felt some formal arrangement ought to be made with Seadta. He stated that von Bauer had already advised Seadta to tell the Colombian Government that they could not establish a regular service from Cali to Quito, and had also given instructions that no opposition was to be made to Pan Grace deviating from their present route to allow the inclusion of Cali, and that this procedure was what he, Mr. Trippe, had promised would be done. Mr. Trippe further stated that he could see no reason why it would be inimical to Pan American-Grace interests to make a formal agreement [fol. 300] which would compromise Pan American-Grace not to go to other points in Colombia not on the route that would be necessary to be flown by including Cali, without the consent of Pan American and Seadta. Mr. Garni objected to making any formal agreement and brought up the question of Medellin. We discussed the possible inclusion of Medellin at some future date, and both Messrs. Trippe and Rihl opposed any such action as being in no way obligatory on the part of Pan American or Seadta.

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to agree to. Mr. Rihl stated that it did not seem equitable for Pan American-Grace to be allowed to compete with the Umca operation, inasmuch as that operation had been carried on at a loss by Pan American, and at the time it was initiated it was to the best interests of Pan American-Grace to have this line in the hands of Pan American. Mr. Rihl also stated that certainly at the present time Pan American could operate it much more cheaply than could Pan American-Grace on account of having surplus crews and equipment at the Zone. Mr. Trippe stated that the question of Pan American-Grace purchasing Umca could be discussed later on, but he did not feel that it was necessary to compromise Pan American at the moment.

Mr. Trippe again insisted that some sort of arrangement be made whereby Pan American-Grace interests could be protected without prejudicing the interests of Pan American-Grace, Pan American and Scadta. He repeated that he had talked the matter over not only with the Board but with certain officials in Washington, and it was felt absolutely essential that Scadta remain in the hands of American interests, and that if it was allowed to fall into foreign hands it would very greatly prejudice the interests of Pan American-Grace. Mr. Rihl pointed out that even though the present contracts of Scadta were to be cancelled undoubtedly others would be made, and that Scadta would continue to operate, and that while it was possible that the Pan American interests were not worth what von Bauer had offered before the talk of cancellation came up, it is more than probable that von Bauer would still be interested in buying. Mr. Rihl stated that both Messrs. Garni and Roig had expressed very great alarm over the possibility of von Bauer buying the Pan American interests, as they figured that would mean German competition. Mr. Rihl asked whether they thought it equitable for Pan American to be expected to carry the load of keeping Scadta from competing with Pan American-Grace. He also stated that Pan American would naturally have to do everything in its power to see that new concessions were obtained for Scadta, as it could not be expected to liquidate Scadta. No definite answer was given to this question.

The final result of the meeting was that Messrs. Garni and Roig promised to study the question of making a definite agreement on the territory in which Pan American-Grace could operate and advise Mr. Trippe later. There was no undertaking, however, to make any agreement with Seadta, nor would Messrs. Garni and Roig agree that Pan American-Grace or W. R. Grace should assume any responsibility regarding the Seadta operation. The question did not come up as to whether W. R. Grace, as such, should purchase an interest in Seadta, but Mr. Garni did refuse to compromise W. R. Grace to increase the capital of Pan American-Grace in conjunction with Pan American, which would permit Pan American-Grace to take over, wholly or in part, Pan American's interests.

G.L.R.

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[fol. 301]

GOVERNMENT'S EXHIBIT 131

Mr. Iglehart

New York, April 30, 1937

G. Vidal, Esq.,
Santiago, Chile

Dear Vidal:

ARGENTINE *

I have read your cables and letters on this subject with the greatest interest.

In the first place, I think you are to be congratulated on the very able manner in which you handled the whole matter of procuring Panagra's operating rights for the Salta line. Your analysis of the situation has been accurate from the outset and your procedure in every step admirable. It also seems increasingly clear that your action was taken none too soon and I am glad we were able to get the necessary clearance here in time to enable you to act when you did.

While we were naturally a good deal concerned with the indications we received from Rice of possible attack upon our operating permit, we decided to cable you last night,

leaving it to you to decide what had best be done to protect the situation. We are very hopeful that the U. S. subsidy for this extension will come through and naturally do not wish when that has been settled, to find ourselves in difficulty in operating the line. We realize, however, that you are fully aware of this situation and are so much more familiar with the actual situation in the Argentine that you will know what is best to be done to safeguard the position. It is, as you say, unfortunate that Panair did not secure their permit at the same time we did and that their application may now encounter difficulties. There is always the possibility, however, that this may react to the prejudice of our permit and this is naturally what we wish to avoid. You will know how best to accomplish this.

Very truly yours,

H. J. Roig

12/21/54

F

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[fol. 302]

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EXECUTIVE COMMITTEE

APRIL 21, 1937.

"The meeting ratified an agreement between W. R. Grace & Co., Pan American-Grace Airways, Inc. and this Corporation, relating to intercompany transfer of position on Buenos Aires-Salta route."

EXECUTIVE COMMITTEE

NOVEMBER 16, 1937.

"The meeting thereupon considered, and authorized, new operating schedules of the Eastern and Western Divisions of this Corporation and of Pan American-Grace Airways, Inc. to become effective December 1, 1937."

BOARD OF DIRECTORS

JUNE 28, 1938.

"Mr. Trippé reported to the meeting on the following:

- (c) Loss of Douglas transport by Pan American-Grace Airways, June 20, 1938."

[fol. 303]

GOVERNMENT'S EXHIBIT 132

PERSONAL 1920

CRISTOBAL/CALI ROUTE

NEW YORK,
May 5, 1937.

Mr. H. R. Harris,
LIMA.

I note Mr. Beatty's letter to you, 4640-P of April 27th.

I am sorry that at present we are at somewhat of an impasse in connection with the Cali deviation. The matter, as you know, is intimately connected with a proposed division of territory between Panair and ourselves, in which SCADTA, as a subsidiary of Panair, is involved.

Incidentally, the sale to SCADTA of the Panair interest has not yet taken place. Von Bauer says he is afraid his contract will be cancelled and, for that reason, he is pushing his service to Quito.

Until I can get the situation cleared I cannot talk about Quibdo or any other place that has previously been considered SCADTA territory. It may be that Zalles can get a general radio permit, which would help matters considerably, but that would still not give us the right to land at Quibdo.

You can readily understand that our efforts of the past few weeks have thoroughly aroused SCADTA as they see where their invasion of our zone has brought a counter attack and they resent this. You can well imagine that when

a Company has had a monopoly, such as SCADTA has enjoyed, for almost 17 years, it views with extreme distaste any competition such as we contemplate.

You must give me time to clear the situation as the Panair financial interest in SCADTA impells them to try to block our game.

J. D. MacGregor.

JDM/Q

[fol. 304]

GOVERNMENT'S EXHIBIT 133

Dear Garni,

We had two conferences with Juan regarding the organization plan before I left. At neither of them was the question of any change of Grace functions even mentioned. Juan never left the chart out of his hands and I never saw the idea Grace Company Pan Am until George arrived in Lima. Our only discussion in New York was with reference to the single point of the change in operating organization as contract with Priester. If Juan had had any idea of including any change in Grace functions that was certainly the time to mention it.

While I suspect the question was answered before we got through I gave Juan the benefit of the doubt and

your letter No. 1 while it crystalized my suspicion that he was beginning to chisel did not indicate that he has indicated any real change of functions or any specific change whatever. When George arrived in Lima he certainly had no idea that any change in Grace functions were contemplated for when I asked that the additional words be inserted so that we would be in no doubt on the point, I agreed. Even now I do not know which of our functions Juan objects to.

It seems perfectly clear to me that somewhere along the line after George and I left, Juan got the idea of using this opportunity to revive again the whole question of parent company functions and that he is now trying to get this afterthought into the picture just, as you will recall,

when we agreed sometime ago to stay out of a certain portion of Colombia, he forced in a proposed agreement under which we agreed to stay off the whole Caribbean and most of the rest of the world.

Grace functions and Panair's are always open to discussion. [fol. 305] There is no agreement covering either. But forcing changes of a dog in the manger attitude on an operating matter of this seriousness is no way to go about it. We are consistently making changes in our functions. Even now pursuers are being transferred to operations (from traffic) to conform to change in Panair practice. If we are doing anything that can be better done otherwise I will be glad to discuss it and the carrying out of the plan will not prejudice the question in any way. But let's discuss this question on its merits and stop playing poker. I can't see what objection there is to Vidal's language but if there is any, why not strike out all description of Grace and Panair functions from the chart (and omit paragraphs VII and VIII of this memo) except traffic and operations and simply put in the names of the companies with a statement on the chart or in this memo that the chart reflects only the traffic functions performed by Grace and the operating and traffic functions performed by Panair and does not purport to reflect or show the other functions performed by the two parent companies.

You will recall Juan wanted Mr. Burns to adopt the plan before I left. I wanted to discuss it first with Mac and Harris but agreed to submit it as a plan on which the Board were definitely agreed in principal. George and I handled the matter in this form and for us to stall now after the management has agreed, if it were not so serious would be childish and ridiculous. Surely George can find something to avoid putting the Board in such an utterly absurd position and to spare this line from the prejudice which delay in this matter involves.

Very sincerely,

/s/ HAROLD ROIG

Santiago 28 Oct 37

GOVERNMENT'S EXHIBIT-135

letter J.D.

April 29, 1938

Memorandum for Mr. A. Garni,
Vice President
W. R. Grace & Co.,
New York.

Please be advised that today, at five minutes to one, I received a telephone call from Mr. Evan Young requesting me to have lunch with him. Upon my arrival at his office I found Doctor Von Bauer and Mr. Rihl, and we all went to lunch together. I had no previous intimation that I was to lunch with Doctor Von Bauer.

During lunch I took the opportunity of thanking Mr. Von Bauer for the actions of the Seadta Company in not opposing: first, our request to the Colombian Government to operate through Cali, and second, that they did not oppose our request to change our route from the sea route to the over land route.

I went on to say that I had recommended to my Directors that Panagra enter into a traffic and airmail agreement with Seadta and Adela along the lines and for the period of the contracts those companies had with Pan American Airways. I mentioned that the only reservation I had was that I should like to have some assurance that Seadta would not operate into Quito and in that way enter into competition with our West Coast international service. Doctor Von Bauer vigorously confirmed what we had been told by Mr. Trippe. He said that Seadta had no desire to operate to Quito.

He stated that President Lopez had told him that he wished to leave some personal monument to his administration, that he had not the money to build roads as his predecessor had attempted to do, and that in his opinion the easiest way to do something of a striking nature was to develop air services in Colombia and connect that with the neighboring roads of Venezuela and Ecuador.

Doctor Von Bauer stated that he had suggested to the President that he could best develop Colombian aviation by putting in decent airports, but that that did not appeal to the President because it represented a large investment of funds which were not available; and the President, there-
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JPH

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[fol. 309] fore, requested that Scadta make surveys to both Quito and Caracas, the President undertaking to get the necessary permits. In that way the President figured on leaving some important executive act without cost to him by which his administration would be patriotically remembered.

Doctor Von Bauer said that, speaking for Scadta, he still did not wish to operate internationally but that, although at the present moment, with the imminent change of administration in Colombia, the matter of the Quito connection had been dropped, he could not guarantee that a succeeding administration would not revive the question. What he would state was that the question would not be revived by him or by Scadta and that, if the question arose through the instigation of a succeeding Government, the problem would have to be restudied and some method devised to solve it.

Doctor Von Bauer said that he wished that Pan American-Grace would give some consideration to Scadta problems. He said that, upon my assurance that we had no present intention of engaging in cabotaje in Colombia, he asked why then did we ask for landing rights at Turbo and Medellin. He intimated that asking for these landing rights was not necessary if we did not intend to engage in cabotaje, that the mere fact that a route via Turbo/Medellin/Cartago to Cali was granted would give by Colombian law automatically the right to land there for emergency purposes, whether for refueling or for refuge from weather.

Doctor Von Bauer stated that, just as the Colombian Government might, on account of public or political pres-

sure, try to force him to go to Quito, we might be faced with an attempt to make us serve the cities of Antioquia and Medellin, near which we pass on the new route. Doctor Von Bauer stated that Seadta naturally would deprecate the running of a lot of international airlines across Colombia, because sooner or later it would bring a demand that the international planes deliver mail and engage in international traffic in the interior, which would greatly prejudice the Seadta position. He said very frankly that Buenaventura was the hub of his activities and that his entire organization was built to function from that outlet, and the loss of revenue to international operators would mean the death of Seadta.

I said I could see his position very well but that the prime object of Panagra's existence was to carry airmail to Buenos Aires via the West Coast of South America

G016114

[fol. 310] in as speedy a fashion as possible, and in order to accomplish this, we could not make a number of stops at Colombian cities, and that we would in every way fight for only a limited number of stops throughout the line, in order that a fast schedule might be maintained.

Doctor Von Bauer said that he had spoken to Mr. Kuhl about the agreement with Panagra and that Kuhl had told him that two years ago a draft was prepared but that nothing had come of it, but that he would again write to Mr. Kuhl, and he suggested that we send Mr. Kuhl our ideas of the contract in writing in order that it might be studied.

Doctor Von Bauer intimated that in all probability Seadta would have to establish, at quite some expense, a redespach point at Cali and the Seadta schedules would have to be studied, so that if possible a rearrangement could be made which would provide for the rapid transfer and transmission of airmail and express in Colombia in connection with Panagra's departures and arrivals.

In conclusion, Mr. Von Bauer was extremely regretful that he was unable to arrange for luncheon with Messrs.

Iglehart and Garni. In his own words, he said: "You know I am just like any other employee, at the end of a string waiting for the latch-door to open". He said that it was imperative that he leave for Europe tomorrow and he wished me to personally convey his remarks to you. If he finds that, in spite of his urgency to leave (because of serious business complications in Austria), he is not able to settle certain business matters pending in New York, he will at once advise us and accept with great pleasure an invitation to any function you might care to extend.

He stated that on one of his first visits to the States, I believe in 1925, he endeavored to interest Mr. Joseph P. Grace in the Seadta Line but that there was some hitch and that Pan American jumped right into the picture. He wished me to convey to you that he still remembers with a great deal of pleasure the kind and courteous way he was received by Mr. Grace at the time he visited him in Hanover Square.

Apart from the above, Mr. Von Bauer said that he thought some study should be given by Pan American Grace to the portion of the route lying between Turbo and Antioquia. He said that, as I was aware, Buenaventura was the wettest place in Colombia and that the weather extended

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[fol. 311] inland very often as far as Antioquia. The Doctor thinks that we should arrange for meteorological information from that section by the establishment of proper facilities. He also said that, while he could give radio service from Turbo and from Medellin, neither of these stations could give meteorological information from a part of the sector we would fly, and which he considers the most difficult part of the new route. I shall discuss this further with Pan American Airways on account of their flying experience on the U.M.C.A. route.

J. D. MacGregor

c.c. HJRoig
JDM:MD
GR-2012

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[fol. 312]

GOVERNMENT'S EXHIBIT 136

not Pan Air

NEW YORK, September 7, 1938.

MEMORANDUM:

Bolivian Extension: When we first sensed the advisability of giving La Paz an air connection, Panair objected to our going into Bolivia and after numerous efforts to get them to see the advisability of this step failed, we decided to ask for operating rights in our own name.

These were granted to W. R. Grace & Co. for a service connecting the international service at Tacna, thus laying the foundation to give the capital of Bolivia airmail service to and from the United States. After this was accomplished Panair changed their mind and W. R. Grace & Co. turned over the corresponding concession to Panagra at no cost to the latter.

Diagonal Extension: When it further became apparent that this first step was insufficient to meet threatened European invasion we pointed out the advisability of extending the above service right through to Buenos Aires. At that particular time we did not receive much support nor enthusiastic response from Panair, and I recall that the situation appeared so urgent that we opened pourparlers with the Post Office Department and I personally proceeded to Panama to discuss this new development with the Second Assistant Postmaster General.

Our direct and more or less unsupported efforts resulted
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RLA.

[fol. 313] in United States aid to establish what is now called the Diagonal Service. About the time this was accomplished Panair was negotiating with the Asunción cut-off and at that time they wanted us to form some joint local company for the purpose of handling questions such as the

securing of Argentine operating rights over this new route into that country. We considered it unnecessary to take this step and likewise did not approve of handling the East and West Coast problem through one Argentine company, and sent Vidal to Buenos Aires to handle this matter independently, with the result that our Diagonal Service between Bolivia and Buenos Aires was operated many months before Panair's Asunción cut-off began to function.

I merely cite these instances to point out the difficulties we were up against at a time when it was advisable to act very quickly and with united support, which latter was not forthcoming.

Caribbean: The question of getting more adequate service between Miami and Panama was discussed during many months and on two or three occasions when it was apparent that no headway could be made, I indicated that Panair's refusal might force us to ask for an extension of Panagra's line to a United States terminal.

Speaking from recollection, these indications were made as far back as three years ago. Some time later, say early 1937, when the question of Colombia was under active discussion.

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[fol. 314] cussion, Panair, as a quid pro quo to agree to let us go into Colombia, amongst other conditions wanted us to sign an agreement not to attempt to operate in the Caribbean. We took exception to this at the time, stating that there never has been any such understanding and we felt that the discussion about our not entering the Caribbean was entirely irrelevant.

I believe that one of the reasons why no particular agreement was drawn up at the time covering our operations through Colombia, was the unusual condition which Panair put forward with reference to our signing off whatever rights we had, to extend Panagra's operations through the Caribbean to a United States terminal.

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G013160

GOVERNMENT'S EXHIBIT 137

Minutes of Adjourned Special Meeting of Board of Directors of Pan American-Grace Airways, Inc held at the office of Pan American Airways, Inc, 135 East 42nd Street, New York, N Y on the 18th day of October, 1938 at 4 o'clock in the afternoon, pursuant to call of the Chairman of the Special Meeting of the Board held October 14, 1938.

PRESENT:

Messrs W F Cogswell
H Preston Morris
R H Patchin
G L Bihl
E E Young

being a quorum of the Board.

Mr. J D MacGregor, Vice President and General Manager of the corporation, was also present.

Mr. G L Bihl called the meeting to order and on motion duly adopted acted as Chairman of the meeting. Mr. W F Cogswell, Secretary of the corporation, recorded the minutes.

On motion duly made and adopted, it was unanimously

RESOLVED, that J. D. MacGregor, Vice President and General Manager, H. R. Harris, Vice President and Operations Manager, and J. S. Woodbridge, Treasurer, of this Corporation, be, and they hereby are, jointly authorized, in the name and on behalf of this Corporation, to execute and file with the Civil Aeronautics Authority an application, in the form submitted to this meeting, for a permanent certificate to be issued under Section 401 (e) (1) of the Civil Aeronautics Act of 1938 to engage in scheduled air transportation in the carriage of passengers, property and

mail on the general route between Cristobal (Canal [fol. 316] Zone) and Buenos Aires (Argentine), with intermediate stops in Colombia, Ecuador and Peru, and thence (a) with intermediate stops in Chile and Argentina with connecting service between Chile and Bolivia; and (b) with intermediate stops in Bolivia (or in Chile and Bolivia) and Argentina.

It was expressly understood between the Directors present and the stockholders they represent, that approval of the execution of the foregoing application is without prejudice to past questions or pending or future questions which have arisen or which may arise with respect to changes in the Company's route or to any understandings there may be between the stockholders of the Company with respect to its routes or changes therein.

There being no further business, the meeting adjourned.

G. L. Rihl
Chairman of the Meeting

W. F. Cogswell
Secretary

[fol. 317]

GOVERNMENT'S EXHIBIT 138

Mr. Roig,

November 15, 1938

G013152

C. V. Whitney, Esq.,
230 Park Avenue,
New York City

Dear Mr. Whitney:

Since meeting with your Executive Committee we have continued to seek a solution of our common problem.

We have considered various alternatives to the route previously discussed with you in an effort to work out a plan in harmony with your ideas. Mr. Roig and Mr. Douglas Campbell have made a trip to Mexico and Central America in connection with the suggestion of your Committee that a

solution of the matter might lie in our purchasing your properties there as well as your half of Panagra.

Regarding the right of Panagra to come through to an American terminal, I have given a great deal of thought to your indication that ethically we were not entitled to do so. I have weighed this question from every standpoint and have taken independent advice and counsel to be sure that we were taking no action which could give any just cause for criticism on this score. I have reached the conclusion, and those whom I have consulted are without exception of the same view, that Panagra is not only ethically entitled to come to an American terminal but that its duty in the public interest is to do so.

I am particularly anxious to guide our action in the friendliest possible course and in that spirit we have worked

GR-2227

11-1-54

RLA

[fol. 318] out a new plan for bringing Panagra to a United States terminal and greatly improving the present schedule. We are prepared, if need be, to protect Panagra's position by going ahead with this in our own name. Before doing so, however, I would like to have an opportunity of discussing the plan with you as I believe you will see the wisdom of Panagra's undertaking it.

If you do not object, I would like to treat this whole matter with you personally. If you will obtain authority from your Board, I will do so also, so that we may then act to end this endless discussion which has doubtless been quite as unattractive to you as it has been to me.

Yours sincerely,

(Sgd) D. S. IGLEHART

G013153

GR-2228

11-1-54

RLA

[fol. 319]

GOVERNMENT'S EXHIBIT 139

COPY

Rec'd 11/23/38

PAN AMERICAN AIRWAYS, INC
General Offices—Chrysler Building—New York City

November 19, 1938

Mr. D. S. Iglehart
President
W. R. Grace & Company
7 Hanover Square
New York, N. Y.

Dear Mr. Iglehart:

I wish to acknowledge your letter of November 15, 1938, which I have referred to our President, Mr. Trippe, and which we have discussed with our Executive Committee.

We are all appreciative of your earnest efforts to work out a solution of our common problem that would be satisfactory to all concerned, and we are ready, as in the past, to meet with you and to discuss any proposal to that end. With the approval of all concerned, however, the discussions to date have been with our Executive Committee and a committee of your Directors, and it would appear to me that the meeting which you suggest should therefore include the same group.

You refer to our suggestion that a solution of the problem, arising through your request that our joint company be turned over to Grace management and that its operations be extended to New Orleans, might lie in your purchasing our half interest in Panagra and our properties in Mexico and Central America.

This proposal, as well as that of Pan American's purchasing your half interest in Panagra, were both advanced. However, the question of Pan American selling to Grace was abandoned before the trip of Mr. Roig and Mr. Campbell to Central America, when it developed, as stated in our

letter of September 24th, that Pan American valued their respective half interest in Panagra at a much higher figure than did Grace & Company.

In substantiation of our evaluation of Panagra, as you know, we were actually willing to pay you a sum considerably higher than your maximum offer to us for our half interest in the joint company.

As to the right of Panagra to operate north of Cristobal, I must repeat that we are entirely unable to see how you have either a moral or a legal right to insist that this should be done. Under our original agreement, it is clear that Panagra was organized to operate from Cristobal south —along the west coast of South America, and to bid on a Foreign Air Mail Contract on that route, if advertised, and you were given an option to participate up to 50% therein. It was certainly not your intention or ours that this new company was organized to compete with Pan

GR-7609
12/14/54 ea

172

G031803

[fol. 320] American then or any other time; for local or through traffic, between the United States and Cristobal, —a territory which we have always served.

We are, of course, interested in doing everything possible to improve Panagra's service and schedules, not only in the public interest, but to build up our through traffic as an end-on connecting air carrier. In fact, you will recall, that Pan American's proposal of last June to maintain a second direct service from Miami to the Canal Zone via Jamaica at a low rate of compensation, although acceptable to the Post Office Department insofar as Pan American was concerned, was held in abeyance by the Department until Panagra could arrange to provide an improved schedule along the west coast.

I still hope that we may be able to persuade you that it is unfair to ask us to agree that Panagra should be permitted to apply for an extension to Miami or New Orleans in competition with ourselves, and that we can cooperate

in the friendliest way in approving at an early date a program that will improve and expedite Panagra's service along the west coast of South America to Buenos Aires.

Will you not be good enough to let us know at what time and place you desire to have the meeting which you mentioned? If more convenient to you, our directors would be glad to come down town.

Yours sincerely,

(sgd) C. V. WHITNEY

GR-7610

G031804

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[fol. 321]

GOVERNMENT'S EXHIBIT 140

6411

TELEGRAM TO MR. CAUBY, RIODEJANIERO
(PT TWS TO MIAMI-PAA RADIO
TO RIODEJANIERO)
(PARTIALLY IN CONFIDENTIAL CODE)

SENT: APRIL 24, 1941 626P

PAN AMERICAN AIRWAYS
COMMUNICATIONS DEPT
MIAMI FLORIDA

CAUBY PINE RIO 181 COPY SNYDER MIAMI REFER-
RING YOUR TWO SIXTEEN YOU MAY FURNISH
PANGRACE WITH INFORMATION RESPECTING
SHIPMENT IN THEIR BEHALF OF GASOLINE TO
CORUMBA BUT NO OTHER ACTION SHOULD BE
TAKEN PENDING FURTHER INSTRUCTIONS FROM
HERE STOP THE INCLUSION OF RIODEJANEIRO
IN THE PROJECTED SERVICE REFERRED TO BY
SHANNON WAS ERRONEOUS AS OF COURSE ANY
SERVICE OPERATED WITHIN BRASIL WOULD BE
HANDLED EXCLUSIVELY BY OUR COMPANY AS

YOU WILL HAVE INFERRED FROM MY PREVIOUS
RADIOGRAM NUMBER ONE SEVENTY EIGHT

YOUNG

CC: MESSRS: TRIPPE
RIHL
YOUNG
ROIG
HARRIS
RICE

545

PAA-1837
12-13-54 PJS

[fol. 324]

GOVERNMENT'S EXHIBIT 143

October 20, 1943

SUBJECT: PAN AMERICAN-GRACE AIRWAYS
EXTENSION TO IQUITOS

J. T. T.:

Mr. Campbell came to my office last evening and urgently requested an answer to the question of the joint airline extending to Iquitos and Tabatinga on a permanent certificate, stating that they must clear with the Peruvian Government and file with Washington before November 1. I advised him that in my opinion the extension to Tabatinga was neither necessary nor proper, and suggested the possibility, subject to profit and loss figures and your final approval, of our not opposing their extension to Iquitos, and that they in turn aid Panair do Brasil with the Peruvian Government to get permission to extend from Tabatinga to Iquitos. (I stated that as a result of the survey flights made by both Mr. MacGregor and Jay Rice some years ago, we did not consider Iquitos as west coast territory. Mr. Campbell said that he was aware of the survey flights but he thought he had correspondence which would conclusively

prove that we had agreed that all of the country of Peru was Pan American-Grace territory.)

Mr. Campbell returned this morning and said that he thought the following could be worked out:

- (1) Pan American-Grace would apply for a permanent certificate to Iquitos, which could at a later date be extended to a border point in Peru upon the completion of the land field.
- (2) They would assist Panair-do Brasil in obtaining a temporary certificate to fly to Iquitos until such time as this new land airport was available.
- (3) The actual operating loss in the first year is estimated at just under \$15,000 without any Peruvian subsidy at all, and there is a possibility of obtaining some subsidy on this route.

Without in any way threatening any such action, Mr. Campbell indicated that if we were unwilling to give them an immediate answer, it might be necessary for them to take action to protect this route for themselves against the applications of both Braniff and Eastern, and in doing so it might be necessary to cite this as an incident of non-cooperation by Pan American Airways.

I don't like the position in which we are placed, or the pressure which is being applied at this time, but from a long-range point of view and the uncertainty of the future due to the present hearing, I recommend that we supply a quorum to enable Pan-American Grace to accomplish this extension as outlined.

H. B. D.

See: Vice President Young

GOVERNMENT'S EXHIBIT 144

Pan Grace
Operation Iquitos

October 20, 1943

H. J. F.:

Mr. Trippe has approved this memorandum subject to:

- (1) Pan American Airways shall have the right to approve the location of any land airport which will be built to the east of Iquitos in Peru.
- (2) The actual application before the CAB and all other papers, including the resolution to be adopted by the Pan American-Grace Airways Board, will be subject to the approval of our counsel, which means you.

Due to the November 1 deadline in Washington, it is necessary to proceed as rapidly as possible with the conclusion of this matter.

H. B. D.

ENC

bcc: Vice President Young

542

PAA-1884
12-13-54 PJS

[fol. 326]

GOVERNMENT'S EXHIBIT 145

Minutes of Adjourned Regular Meeting of the Board of Directors of Pan American-Grace Airways, Inc. held at the office of Pan American Airways Inc., 135 East 42nd Street, New York, N. Y. on the 8th day of November, 1943 at 4:00 o'clock in the afternoon.

PRESENT:

Messrs W F Cogswell
Howard B Dean
A Garni
H P Morris
H J Roig

being a quorum of the Board.

Mr H J Roig, President of the corporation, called the meeting to order and presided. Mr W F Cogswell, Secretary, acted as Secretary of the meeting.

Minutes of Adjourned Regular Meeting of August 12th were read and approved.

The President reported that Mr Vidal, who is leaving on a trip to South America would proceed directly to the Argentine to go into the situation in respect to the Cordoba airport and arrange for a license for night lighting.

The President stated that in connection with the CAB general South American route case, prehearing conferences in which were beginning on November 16th, he had engaged the services of Mr. Gerhard A. Gesell, of the firm of Covington, Burling, Rublee, Acheson & Shorb, to represent the Company's interests. On motion duly adopted, this action was approved.

The President then submitted to the meeting a form of application drafted by counsel applying for the certain routes therein described. The President stated that the [fol. 327] routes numbered 4(b) and 4(c) would probably

be suggested as alternate routes and that it might also be suggested that their operation was rather a matter for future development than for the immediate present. He also stated that the local Buenos Aires/Montevideo service proposed was a matter which would require considerable further study and would probably best be worked out through a local company in conjunction with local interests. It seemed desirable, however, to include this route in the present application in order to have the matter before the Board in connection with the general South American discussion.

Mr. Dean then made the following statement on behalf of himself and his associates representing Pan American Airways Corporation and on behalf of that Corporation with respect to the proposed application to the Civil Aeronautics Board for amendments of the certificate of convenience and necessity of Pan American-Grace Airways, Inc.:

1. The Pan American Directors, apart from the question of surface carrier control or affiliation referred to in paragraph 2 below, consider the routes applied for to be in the public interest and approve the form of the application as drafted by counsel for Pan American-Grace Airways, Inc. and attached to these minutes:

2. Pan American considers it to be established that the public interest, as defined in the Civil Aeronautics Act, does not permit an air carrier which is controlled by a surface carrier, or a company affiliated therewith, to be awarded any new route or any major extension of an existing route. Whether this principle applies likewise to minor extensions [fol. 328] or route modifications by such an air carrier within the same general territory which the carrier already serves, such as are involved in the proposed application, has not yet been determined, and Pan American has instructed its Directors on the Pan American-Grace board to take such action as will permit Pan American-Grace Airways to present this latter question to the Civil Aeronautics Board for determination. For the reasons stated in this paragraph, the Pan American Directors are not willing to vote in favor of the proposed application but they are will-

ing to furnish a quorum that will permit the Grace Directors to vote through a resolution to that effect so that the application may be filed with the Civil Aeronautics Board.

3. Pan American considers that the various points on the proposed route covered by the application are within the territory in which Pan American-Grace Airways was formed to operate under the original agreement of August 31, 1928, as later modified by consent of the two owners.

4. Pan American wishes to indicate that it considers Buenos Aires rather than Montevideo as the logical terminal for Pan American-Grace Airways, Inc. international service and questions whether, from a long-range point of view, it is desirable for the Company to engage in a local shuttle service between Buenos Aires and Montevideo.

5. With respect to the proposed Pan American-Grace Airways route between Chiclayo and Ramon Castilla, Peru, via Iquitos and other intermediate points, Pan American understands and its representatives are taking the action [fol. 329] above set forth upon the understanding,

(a) that Pan American-Grace Airways and W. R. Grace & Co. will consent to Panair do Brasil rendering connecting service from the east to Ramon Castilla or some other point in Peru in the vicinity of Ramon Castilla close to the Peruvian-Brazilian border and rendering temporary connecting service between Tabatinga and/or Ramon Castilla and Iquitos until such time as Pan American-Grace Airways, Inc. is able to operate between Iquitos and Ramon Castilla; and

(b) that Pan American Grace Airways will assist Panair do Brasil in obtaining the necessary permits for such service from the government of Peru, in the same way that Panair do Brasil assisted Pan American-Grace Airways in obtaining permission to land at Grumbea, Brazil, in the establishment of the joint Pan American-Grace-Panair do Brasil transcontinental route through that part of South America.

6. With respect to the proposed Pan American-Grace Airways route between Cali, Colombia, and Buenos Aires,

Argentina, via Iquitos, Peru, and a point in Bolivia, Pan American is advised that operation of this route will require flight over a portion of Brazil. Pan American understands and its representatives are taking the action above set forth upon the understanding (a) that such action does not constitute a precedent with respect to operation by Pan American-Grace in Brazil, Pan American taking the position that Brazil is not within the agreed scope of the operations of Pan American-Grace and its consent to the flight over Brazil involved in the operation of the proposed route [fol. 330] being given only to permit a cut-off route between points within the territory served by Pan American-Grace; and (b) that in the event that Pan American should at some future time desire to apply for a route between Bogota and Buenos Aires via points in Brazil and/or Paraguay which would involve flight over a portion of Bolivia neither Pan American-Grace nor Grace will raise objection thereto.

Referring to the statement made by Mr. Dean, Mr. Garni made the following statement on behalf of himself and his associates representing W. R. Grace & Co.:

1. We do not agree in principle or detail with the interpretation of the Civil Aeronautics Act suggested by the Pan American directors as related to new routes, route modifications or extension of Pan American-Grace Airways, Inc., nor do we recognize that Pan American-Grace Airways, Inc. is in fact or ever has been controlled by a surface carrier.

2. In one form or another Mr. Dean's statement makes several references to an agreement between Pan American and Grace, or statements from which the existence of such an agreement might be inferred, relating to the scope of the operations of Pan American-Grace Airways, Inc. We do not concur that there is or ever was any agreement between Pan American and Grace limiting the scope of the operations of Pan American-Grace Airways, Inc., and no statement made by Mr. Dean or by us and no action taken by us at this meeting is to be construed as indicating the contrary or as involving the making of such an agreement at this time.

[fol. 331] 3. We are willing to commit Pan American-Grace Airways to the proposition that the operation of a service between Cali and Buenos Aires via Iquitos and a point in Bolivia, which would involve flight over a portion of Brazil, shall not constitute a precedent with respect to operation by Pan American-Grace Airways in Brazil; and that Pan American-Grace Airways will not object in the event Pan American should at some future time desire to apply for a route between Bogota and Buenos Aires via points in Brazil and/or Paraguay on the ground such a service would involve flight over a portion of Bolivia, upon the understanding that this shall not constitute a precedent with respect to operations by Pan American in Bolivia.

As far as W. R. Grace & Co. is concerned, we are authorized by that company to state that it will not at any time object to Panair do Brasil rendering connecting service at Ramon Castilla or some other point in that vicinity close to the Peruvian-Brazilian border, or operating temporary connecting service between Ramon Castilla or some other point in that vicinity close to the Peruvian-Brazilian border as far as Iquitos until connection at such point becomes possible; and, further, that Grace will not object in the event that Pan American should at some future time desire to apply for a route between Bogota and Buenos Aires via points in Brazil and/or Paraguay on the ground such a service would involve flight over a portion of Bolivia. In making this statement, we wish it to be clearly understood, however, that W. R. Grace & Co. is not acknowledging that there is now or ever has been any agreement between it and Pan American involving the scope of the operations of Pan American-Grace Airways.

(signed) H J ROIG
Chairman

(signed) W F COGSWELL
Secretary

GOVERNMENT'S EXHIBIT 146

Minutes of Adjourned Regular Meeting
of the Board of Directors of Pan American-Grace Airways, Inc. held at 135 East
42nd Street, New York, N. Y. on the 11th
day of April, 1944 at 2:15 o'clock in the
afternoon.

PRESENT:

Messrs W F COGSWELL
HOWARD B DEAN
A GARNI
H P MORRIS
R H PATCHIN
H J ROIG

being a quorum of the Board.

Mr. H J Roig, President of the corporation, called the meeting to order and presided. Mr W F Cogswell, Secretary, acted as Secretary of the meeting.

The President reported that pursuant to the authorization of the Board the firm of Milbank, Tweed & Hope had been retained as counsel in Docket No. 525.

This action was approved.

The President proposed that the Company file with the CAB an application for amendment to its certificate of public convenience and necessity so as to authorize temporary air transportation between Chiclayo, Peru and Iquitos, Peru until final decision and order of the CAB in respect to its application for a permanent amendment to its certificate authorizing operation between Chiclayo and Ramon Castillo. The Pan American directors stated that their position on such an application was the same as that stated at the meeting of November 8, 1943 with respect to the application for a permanent amendment of the Company's certificate, and that for that reason they were not vote against it, on the understanding that any application not willing to vote in favor of the proposal but would

[fol. 334] tion filed with the CAB would contain an appropriate reference to Pan American's position along the same lines as in the application filed pursuant to the action taken at the meeting of November 8, 1943. Messrs. Roig, Garni, Patchin and Cogswell stated that their position was the same as that stated by Mr. Garni at such meeting of November 8, 1943. Authorization to the President to file the application was given on this basis.

The President reported that no action is being taken towards filing application with the CAB for a new rate at least until the return of Mr Vidal.

The President submitted and commented on:

(1) A comparison of earnings for the years 1942 and 1943.

(2) A comparison of traffic figures between the year 1932 and 1942.

(3) Certain points raised by the CAA inspectors, whose report is expected to be received in the near future.

There being no further business, the meeting adjourned.

(signed) H J Roig
Chairman

(signed) W F Cogswell
Secretary

GOVERNMENT'S EXHIBIT 147

JANUARY 11, 1945

Vice President Dean	The Executive Assistant
Executive	Executive
Miami and Rio	New York

PANAIR DO BRASIL—SERVICE TO IQUITOS

Dr. Sampaio's memorandum January 2 to me

While you are in Rio I would very much appreciate your discussing with Mr. Rihl my memorandum to him of December 5, 1944 and Dr. Sampaio's memorandum to me of January 2. You will of course understand that in my memo of December 5 I was simply transmitting information given me by Panagra and, while I am very happy indeed to have the very complete information from Dr. Sampaio regarding Panair's side of the story covering the application for a permit from the Peruvian Government to operate to Iquitos, it is evident that he does not have the whole story regarding the Peruvian end of this deal. Certainly Mr. Vidal did not invent anything when he reported the reaction of the Peruvian authorities as conveyed to Panagra at that end.

Irrespective of what may have actually occurred in the past, we are now most interested in a smooth operation for Panair do Brasil to Iquitos. Panagra is naturally much interested in assisting Panair in this matter because they themselves are anxious to connect with Panair at Iquitos.

In his memorandum to me Dr. Sampaio does not mention whether he desires to take advantage of the offer of Panagra to act as Panair do Brasil's agent in Peru for the purpose of maintaining the necessary contacts with the Peruvian authorities.

You of course understand the difference in the positions of the two companies. Panair do Brasil was interested in a service to Iquitos on the basis of its Brazilian contracts.

Panagra was vitally interested in the establishment of a transcontinental line in combination with Panair do Brasil, with a territorial division of activities at the Brazilian-Peruvian border. The international character of the joint operation was essential for the continuance of Panagra's cabotage privileges in Peru. The territorial division was in accordance with the long-established policy between PAA and Panagra. Perhaps an explanation of Panagra's motives might help to satisfy Dr. Sampaio that there never was any intention of complicating matters for Panair but, on the contrary, that we have only been motivated by the desire to assist in establishing the functioning of a transcontinental line through cooperation between Panagra and Panair do Brasil.

(signed) E. BALLADER

PAA-1920

12-13-54 PJS

542

[fol. 336]

GOVERNMENT'S EXHIBIT 148

2114.41

January 22, 1946.

H.J.F.:

Jan. 18

Attached hereto is a *Pan American-Grace* cable. As you know, all copies of their cables are sent to me. I have advised Vidal that Pan American Airways has no intention of permitting Pan American-Grace to extend to Bogota and that we consider Bogota in the Pan American sphere.

I did agree some months ago that there would be no objection in having Avianca extend from Cali to Quito via Ipiales and to have Pan American-Grace extend from Quito to Cali also via Ipiales. This extension was in line with a request made by Dr. del Corral when he was last in New York, and since Pan American-Grace also operated between Quito and Ipiales and between Guayaquil and Cali. I saw no objection to permitting direct flights by both Avianca and Pan American-Grace between Cali and Quito. Avianca was most anxious to serve the capitol of Ecuador

because TACA de Colombia has announced that they propose to fly there.

This is another indication of inching by Pan American-Grace without any consultation by Pan American-Grace with us about their plans. I have quite clearly expressed myself to Vidal both as to how I feel about the extension and the method with which it was being approached.

HBD
(signed) H.B.D.

Attachment

3558

PAA-6221
5/18/55
JPL.

[fol. 338]

GOVERNMENT'S EXHIBIT 150

DC

TJK #-272

MQ/TJ

COLOMBIA ECUADOR TRAFFIC

NEW YORK
February 1, 1946

Mr. Douglas Campbell
Pan American-Grace Airways, Inc.
Lima, Peru

Dear Doug:

With reference to our private cable No. 53 of January eighteenth and Quito's private letter to you #9347 of January twenty-second, I haven't had a chance to let you know that when Howard Dean saw the first of the above messages, he telephoned me to say that it would be useless for us to suggest to them or to Avianca that Panagra fly between Cali and Bogota in exchange for Avianca flying between Bogota and Quito. You will recall that Panair takes the position that our operations in Colombia are restricted to the area west of the Andes.

Even if we could go to Bogota, it may not suit to have Avianca fly between Colombia and Ecuador. It would,

therefore, be my suggestion that we simply make plans to operate Panagra services between Quito and Cali non-stop, in addition to the services now operated between Quito and Ipiales in conjunction with the Avianca service between Ipiales and Cali. The non-stop operation by Panagra between Quito and Cali does not seem to require any special permission from either Ecuador or Colombia, or if it does it should be relatively easy to obtain, and inasmuch as we did operate that route up to a few years ago, we are assuming that neither the CAA nor the CAB would object.

Sincerely yours,

(Sgd.) G VIDAL

(signed) G Vidal

GV:JK

cc: HJRoig

TJKirkland

PAG-C 265

10-7-54

PJL

[fol. 339]

GOVERNMENT'S EXHIBIT 151

GARNI

GRACE

march 8th

FILED 210AM from ROIG (santiago) march 8th 1946.

1 see our cable

2 83

3 palmetto

4 if

5 avianca

6 in which

7 pan american

8 own 40

9 ODD PC

10 can

11 invade

12 west coast

13 we consider

14 we are
15 entitled
16 serve ??
17 all
18 colombian
19 points
20 sentence if
21 pan american
22 cannot control
23 situation
24 they
25 certainly
26 cannot prevent
27 us
28 taking
29 necessary
30 action
31 self
32 defence
33 sentence while
34 have
35 no
36 reason
37 believe
38 pan american
39 backing
40 aviancas
41 BVT/ ?? (course ??)
42 or any
43 way of
44 knowing
45 if they
46 received
47 any
48 specific
49 benefit
50 in
51 transatlantic service
52 SVC OR

GR-2847

11-5-54 PJS

continued:

G019160

[fol. 340]

53 agreement
54 stay
55 out of
56 east coast
57 in exchange (for)
58 british
59 NY/WC
60 line
61 strangling
62 effect
63 these
64 two
65 development-s
66 on
67 panagra
68 obvious-ly
69 your 10
70 under present
 conditions
71 do not see how
72 grace
73 ecuador
74 can
75 represent
76 both
77 panagra
78 avianca

for your information panagra lima
will be communicating with you
concerning reported intention avi-
anica open own office etc

ROIG

MR GARNI
G019161

[fol. 341]

GOVERNMENT'S EXHIBIT 152

J.P.G., JR. TRIP SERIES LETTER NO. 1

AG

WGH

November 1, 1948

Reed. 11/5/48

Mr. H. J. Roig
7 Hanover Square
New York 5, New York

Dear Mr. Roig,

COLOMBIA

We were rather surprised when we read on Page 283 of the Aviation Daily of October 25th of Schneider's argument before the C.A.B. against Pan American's application to be authorized to operate a Bogota/Miami direct service.

It had been our understanding that it had been agreed at the time that the Panagra Through-Flight Agreement was signed that Western Colombia was Panagra's territory and furthermore that a Gentlemen's Agreement was made that Panagra could at any time petition the C.A.B. for inclusion of Bogota and Medellin on its route between Balboa and Lima and also that if it would facilitate this in any way, Panair would sell Panagra U.M.C.A.

We heartily agree with Schneider's argument that any Bogota/Miami direct service would prejudice the possibility of the Colombian Government's approving of any other U.S. flag service into that city, not only Braniff's, but also Panagra's if we were to decide to take up what might be considered to be an option on Bogota and Medellin. We did not have the opportunity of discussing this GR-3739

10-19-54 PJS

G 251

[fol. 342] whole matter with you in New York and we were wondering just what your ideas are and whether or not you agree with us that this so-called route consolidation application of Panair prejudices our rights in Colombia.

It would also appear that this is an opportune time to take up actively again the extension of Panagra's route to include Bogota and Medellin since with the new mail pay, the P/L might look attractive.

We plan to discuss the whole matter of the Colombian Government's attitude on permitting U. S. flag carriers into Bogota with Latorre while we are there as well as the possibility of their allowing Panagra to go into Bogota and Medellin and we would like very much to hear from you on this subject before we get to Bogota.

With the DC 6 service coming through Balboa both northbound and southbound at around midnight, Panagra's service to and from Bogota and Medellin would be pretty good especially the northbound trip and particularly when we get through to New York. With night flying into Balboa it wouldn't be too inconvenient for passengers on the northbound DC 3 to deviate to Bogota and Medellin as they would have to wait in Balboa until around midnight anyway to pick up the northbound DC 6 or to pick up Panair's Central American Flight which leaves at around midnight and which will offer a direct connection with our northbound DC 6 when the Consolidated Vultee 240's start in the Central American service.

Very truly yours,

(signed) J. P. G., Jr.

GR-3740

G 252

[fol. 349]

GOVERNMENT'S EXHIBIT 155

May 19, 1950

Memorandum to Mr. J. P. Grace, Jr.

I called Henry Friendly today to ask him about Rio. He said he had spoken to Trippe with absolutely no success. He said he frankly does not know whether Trippe considers it a matter of principle or what but said he can do nothing further. I asked him what he would think of our approaching Juan and he said he thought that that was the only thing left to do.

We had also asked Balluder to talk with Trippe re the opening of a Panagra Sales Office in Buenos Aires and word came back from Mr. Balluder that Trippe would not hear of such a thing, that he thought that now is the time with Braniff coming into Buenos Aires for Panagra and Pan American to present a united front to the competition. When I was talking to Henry about the other matter I also mentioned this and told him I thought it was very short-sighted. We discussed the matter at some length and he said he was inclined to agree with Juan but I asked him to think it over and we decided to talk it over again in a few days.

It looks to me as though we are heading for another showdown and I think that when you get back we had better sit down with him (J. T.) and thrash a few of these things out. Henry thought this would be advisable.

GR-13397

7/6/55

JPC

G075160

[fol. 350] This has not been one of our better Panagra days.

A. B. S.

P.S. As far as we know Diaz is still due to arrive in New York Monday.

A. B. S.

GR-13398

G075161

[fol. 353]

GOVERNMENT'S EXHIBIT 151

November 6, 1950

MEMORANDUM TO MR. J. P. GRACE, JR.

You asked for a memorandum on the status of the Manaus/Goiania cut-off route through Brazil; what applications are pending, when we should apply, etc.

(1) As described in the U.S./Brazilian Bilateral, the route is as follows:

"Description of Route"

From the United States of America via intermediate points in the Caribbean, South America, to Manaus, Goiania and Rio de Janeiro or Sao Paulo."

(2) *Pending Applications*

Based on a check and re-check with the docket section of the CAB, Ed Howard confirms that the following applications are pending:

(A) Braniff has an application pending for a route from Bogota to Rio via Manaus and Goiania. This application was filed November 6, 1946 under Docket 2622. The Latin American decision was dated May 17, 1946, prior to this application. I understand a pre-hearing conference was held on this application but in May 1947, over the protests of Panagra, they obtained permission to postpone further proceedings on this application.

(B) Pan American has applications pending for:

- (i) Caracas to co-terminal Rio and Sao Paulo via Manaus and Goiania.
- (ii) Caracas to Asuncion via Manaus, Goiania and Guaira.

GR-12491

2/10/55

JPC

G065965

[fol. 354] These applications were filed December 17, 1946 under Docket 2720.

(C) Chicago & Southern has an application pending for a route, U.S. to Buenos Aires via Kingston, Manaus, Goiania, Sao Paulo, Rio de Janeiro, Asuncion and Montevideo. This was filed August 29, 1949 under Docket 3724. C & S's application to serve Maracaibo has been severed from this application.

(3) *Time Action Likely on Above Applications.*

With respect to the various Manaus routes discussed in the Latin American decision, the Board stated:

"In view of the substantial improvements made available by the routes established herein (that is, the Latin American decision), the limited volume of traffic to be expected from the proposed cutoff routes, and the substantial capital costs to establish airway aids and airport facilities, we conclude that these routes are not required by the public convenience and necessity."

Douglas Campbell investigated the status of development of the Manaus route while he was in Rio this June and Robert Harmon also discussed development of this route during his recent stay in Rio. Both of them were told by members of the Brazilian Ministry of Aviation that it would probably be a minimum of two years before the route was developed to the extent necessary to permit regular international air service. Based on this information, and the statement in the Latin American decision, it would appear that no action by either the carriers or the CAB would be taken on this route in less than 18 months to 2 years.

There is however one current matter which might bring this subject to a head sooner. The attached letter was re-GR-12492

G065966

[fol. 355] received today by Panagra stating Braniff's objections to Pan American's proposed cutoff route, Caracas/Asuncion to Buenos Aires. You will notice that Braniff protests on the ground that Pan American's cutoff route may lead the Brazilians to claim that the Manaus route is operable and that, therefore, Braniff's temporary East/West

Coast route should be eliminated (as per the terms of the Bilateral Agreement) and, secondly, that the Manaos route has been earmarked for Braniff. By this last assertion, Braniff apparently assumes for itself the functions of the CAB to determine and grant routes in accordance with public convenience and necessity and we contemplate that we will be able to use this statement to the discomfort of Braniff. It is conceivable, and this is confirmed by Ed Howard, that this letter could lead to an early discussion of the Manaos route and it is conceivable that awarding of the route might be speeded up.

(4) *When Should Panagra Apply for the Route*

Panagra could not be excluded from applying for the Manaos route until a pre-hearing conference is held on the other applications; obviously all applications will be joined into one docket. I discussed with Gesell how long it would take us to go through the necessary routine resulting in a Panagra or Grace application, and he felt that it would only take about a week or two. Because of Docket 3500 we do not wish to make any application at this moment but will have to watch developments closely both in Docket 3500 and the Manaos dockets, so as to be prepared to jump in at the appropriate moment.

(5) *Routes for which Panagra Should Apply*

If Panagra gets through to New York under the National Interchange Agreement or under an extension of the Through Flight Agreement, it seems to me that Panagra should apply for both:

GR-12493

G068967

[fol. 356] (a) A route, New York/Caracas/Manaos/Rio and probably beyond to Montevideo and Buenos Aires, and

(b) A route, Balboa/Bogota/Manaos/Rio and probably beyond to Montevideo and Buenos Aires.

Inasmuch as this application would probably be the cause of a fight with Pan American, it would seem under present circumstances that we might as well apply for both (a) and (b) in the hope of obtaining what we really want. Obviously the (a) route above would be preferable to (b) and so long as we were already flying to New York, there would be no problem about getting our planes to Miami for maintenance even if we were not awarded an East Coast route between Rio and B. A.

H.L.C.
Clark

cc: ABShea

P.S. As a footnote to the foregoing, we have just learned that Pan American may have lost its operating rights to Paraguay. This information was just received from Lima based on a decree issued by Paraguay. Doug Campbell does not feel that PAA will have a difficult time re-establishing its right to serve Asuncion but this development should at least slow down inauguration of their new proposed service. We will watch developments.

P.P.S. Since the Bilateral description says: "From the United States of America", we may have some trouble in establishing a route starting from Bailhoa under the Brazilian interpretation of the Bilateral.

GR-12494

6065968

[fol. 357]

GOVERNMENT'S EXHIBIT 158

NOTES ON TELEPHONE CONVERSATION WITH
MR. ANDREW SHEA AND MR. BALLUDER
ON 12/19/50

Mr. Shea called Mr. Balluder to discuss two topics: First, the Panair do Brasil intentions to serve Santiago and Lima from Rio, and second, the bonus situation in Panagra.

The bonus question was cleared affirmatively by Mr. Balluder after consultation with Mr. Friendly and a separate memorandum on this subject was prepared on the 20th.

With regard to the Panair do Brasil developments, Mr. Shea expressed great unhappiness over the plans of Panair do Brasil to establish routes from Rio to Santiago and Lima respectively. He felt that this would only be the beginning of further developments. He saw the possibility of ambitious plans developing under which Panair do Brasil would eventually want to operate along the west coast of South America to the west coast of the United States. He expressed considerable concern over the effects of such moves on the business of Panagra. He seemed to feel especially bitter because Panagra could not serve the Lima-Rio route in competition with Braniff and was disappointed because Panair do Brasil, in which Pan American Airways held a substantial interest, was entering Panagra field on the west coast of South America.

Ballhuder tried to explain to Mr. Shea that the most recent developments in Brazil which led to Panair do Brasil's undertaking the operation of the Rio-Santiago route via Asuncion and the Rio-Lima direct route had no connection whatever with the Brazilian government's demand for a route to the west coast of the United States. Ballhuder told Shea that several years ago, Panair do Brasil had thought that it would be a good idea for them to ask for a route from Brazil via the east coast to Havana and then on to Los Angeles and or San Francisco but at that time, Ballhuder very strongly tried to discourage Panair do Brasil because he felt that this would not be a commercially productive operation unless very heavily subsidized by the Brazilian Government.

733

PAA-427

11-30-54

RLA

[fol. 358] Government. At the time of the Brazilian bilateral discussions and consultations on capacity and routes which were held during 1949-1950 in Rio. At that time, Sampaio had definitely stated that Panair do Brasil was not interested in any route via the west coast of South America to points on the west coast of the United States. Without going into the details just given, Ballhuder explained to Shea that Panair do Brasil had completely shelved the idea of operating to the west coast of the United States.

Aerovias do Brasil, formerly TACA, is certificated to serve Miami and Chicago and more recently, under the presidency of Canby Araujo, they have activated this matter in Rio in an endeavor to get the government to obtain an extension of the route to Los Angeles and or San Francisco. The Brazilian Government became very insistent with the U. S. Government on this point during their recent discussions and have shown considerable resentment because the U. S. Government would not readily accede to their demands for an extension of the route to Los Angeles and or San Francisco. I repeated on various occasions to Mr. Shea that Panair do Brasil had not activated the matter and was not now interested in the route to the west coast of the U. S., but quite apparently, he did not believe me. I went further to say that I expected sooner or later to see Panair do Brasil under pressure from the Brazilian Government again consider the possibility of operating from Rio to Bogota. The Rio-Bogota route was under consideration especially at the time of the tragic Bogota meeting. Balluder mentioned that if Panagra were to apply to the U. S. Government for the right to fly from Lima to Rio, this could not be obtained in less than a year or 18 months and even then, the matter was very doubtful in view of the Brazilian position on that particular route but that the Panair do Brasil competition move against Braniff was immediate. Balluder reminded Shea of the fact that during the summer of this year, Mr. Campbell had spent three months in Rio in an effort to retain Panagra's rights to serve the Lima-Campo Grande connection with Panair do Brasil. During the consultation between the United States and Brasil on the subject of capacities and routes, it was very evident that

133

PAA-428

[fol. 359] Brazil strenuously objected to the continuance of the Panagra services to Campo Grande and in effect, completely rejected any talks on this subject. Balluder reminded Shea that the Lima-Rio route of Braniff was a temporary route under the bilateral and that sooner or later Braniff would be forced from that route in order to operate the Bogota-Manaos-Rio report in accordance with the bilateral route descriptions. Balluder expressed the belief

that if Panagra were successful in obtaining from our Government an extension of their routes through Lima to Rio, it would mean that our government would be committed to maintain Braniff's rights on that routing. The result of this would be that three operators would serve that route. Balluder considered it entirely impossible to dissuade Panair do Brasil or for that matter, the Brazilian Government from their idea of serving directly from Rio the other capitals of South America. Balluder reminded Mr. Shea that Panair do Brasil's operations from Rio to Buenos Aires certainly were not very agreeable to Pan American Airways because it meant that a large portion of our Buenos Aires-Rio business had been taken away from us by Panair do Brasil. But we considered it inevitable and knowing the pressure which had been exerted during the past few years on Panair do Brasil, we also felt the Rio Santiago, Rio Lima and eventually the Rio Bogota routes would be performed by Brazilian carriers. If we accepted these developments as inevitable then, of course, it was natural for us to hope that Panair do Brasil would be given those routes with the corresponding subsidy. Balluder felt that Panair do Brasil could develop a very valuable volume of business between points like Santiago and Lima via Rio to Points in Europe, and vice-versa. Such business would undoubtedly result in Panair do Brasil's feeding passengers into Panagra at Lima. Mr. Shea, while admitting that this might be true, felt very strongly that Panair do Brasil's entry into Santiago meant very strong competition for Panagra because heretofore Panagra had carried passengers from Santiago via Buenos Aires or via the Canal Zone to connections for Europe.

730

PAA-420

[fol. 360] Balluder answered that it was not logical to think that we could stem the natural development of routes representing the shortest possible connection between two points. Balluder went on to say he felt that in effect, the Rio-Lima Panair do Brasil route would mean very effective competition for Braniff. Balluder explained to Shea that after discussion with Mr. Campbell, Mr. Sampaes had agreed to establish his schedules in such a manner that they would afford advantageous connections with Panagra's Inter-Americano in both directions north of Lima. Balluder

thought that these connections would feed to Panagra a considerable amount of the business from Rio to points on the West Coast of South America and the West Coast of North America, and would offer effective competition with Braniff from Rio via Lima to the Canal Zone and USA terminals for points in the Middle West and East of the United States.

Mr. Shea did not seem convinced by Balluder's arguments that the Panair do Brasil-Rio-Lima connection would be advantageous to Panagra. Shea showed considerable scepticism of the intentions of Panair do Brasil and repeatedly mentioned the possibility of Panair do Brasil's expansion on the west coast of South America to connecting points like Santiago and Lima with points north with a terminal in California. On several occasions, Balluder asked Shea what he thought Balluder could do to dispel Shea's suspicions. Mr. Balluder repeatedly explained that Panair do Brasil was acting under pressure from the Brazilian Government. Over a period of the last few years, Balluder had exercised all possible persuasion on Paulo Sampaio in order to prevent him from undertaking operations of new routes unless he could be certain of some very substantial subsidies from the Brazilian Government. Now that the Brazilian Government was willing to pay Panair do Brasil such a subsidy for the operation of the Rio-Santiago and Rio-Lima routes, Balluder saw no way in which Panair do Brasil could be stopped and Campbell had seemed to think favorably of Panair's operations since he was willing to have Panagra act for them as sales and handling agent.

733

PAA-430

[Vol. 361] During the course of the conversation, Mr. Shea repeated several times that he thought Balluder could not blame him for feeling very much frustrated by these Panair do Brasil developments.

733

PAA-431

[fol. 367]

GOVERNMENT'S EXHIBIT 161

COPY

HLC

PAN AMERICAN WORLD AIRWAYS SYSTEM

Chrysler Building, 135 E. 42 St.

N.Y. 17, N.Y.

Office of The
President

December 29, 1950

PERSONAL

Mr. J. Peter Grace, Jr., President

W. R. Grace & Co.

7 Hanover Square

New York 5, New York

Dear Peter,

When you called me at home from Washington one evening last week in connection with the proposed Rio-Lima service by Panair do Brasil, we arranged to meet, you will recall, early in the week of January 2 to discuss the matter.

Unfortunately, I was unable to get away this week due to my daughter's illness and *I have therefore been able to check the question you raised with Henry and Erwin.*

The background facts as I understand them are as follows:

Although we have only one representative on the Board of Panair do Brasil, we have for a number of years urged its President, Mr. Sampaio, to concentrate on domestic services even at the expense of its European and other international services. Particularly, we opposed, for business reasons, the extension of their international services from Rio to other South American capitals.

During April 1948, however, Panair extended service paralleling us from Rio to Montevideo and Buenos Aires.

Later we were advised that the Brazilian Government were again insisting on Brazilian flag service from Rio via Asuncion to Santiago, Chile and to Lima. Again, we counseled against such an expansion by Panair because we felt such extensions would be commercially unwise, even though these new services might be justified by Panair as end-on extensions of its European services. Such services could perhaps also be justified as direct contiguous services to neighboring countries by a Brazilian carrier, particularly as most of the traffic would be third and fourth freedom traffic for Brazil.

2-9-55 F

GR-12538

G064560

[fol. 368] ? Recently, Mr. Sampaio advised us that he had been designated to operate the Rio-Santiago and Rio-Lima services by the Brazilian government, and that *Panagra had also confirmed the agreements* previously made to provide him handling services at the Santiago and Lima airports as well as traffic representation in Chile and Peru.

He informed us that he has been *requested by Panagra* to arrange his schedules so as to provide through connecting services with Panagra, which he has arranged to do. I believe Erwin Balluder sat in on certain of these discussions during his recent visit to New York.

In view of these developments, I am at a loss to understand why you feel we should now seek to have Panair withdraw from these proposed cross continent operations *in favor of some other Brazilian carrier, and, in fact, why it is not in your interests to have Panair provide these new services*—but this subject, of course, we can discuss when we meet.

Sincerely,

sgd. JUAN

makes us look
bad ?

Written to Grace!

GR-12539

G064561

[fol. 369]

GOVERNMENT'S EXHIBIT 162

II-5000

W. R. GRACE & CO.
7 Hanover Square, New York, N. Y.

Office of the President

January 9, 1954

Juan T. Trippe, Esq.,
President
Pan American World Airways System,
135 East 42nd Street,
New York 17, New York,

Dear Juan,

Thank you for your letter of December 29th. I was very sorry to learn of your daughter's illness and hope she has fully recovered and that you have been able to get away for some rest.

With respect to our telephone conversation of December 21st, it appears to me from your letter that I may not have made myself entirely clear. My point was and is that despite our many requests to you, you have consistently declined to agree to an application by Panagra for an extension of its route from Campo Grande to Sao Paulo and Rio. As a result, Panagra's route into Brazil still terminates at Campo Grande and the service on even this short Brazilian segment is in imminent danger of cancellation by the Brazilian authorities.

You will recall that I have mentioned to you several times in the past the fact that Braniff is flying into Rio direct from Lima renders the joint service that Panagra 2078

PAA 2827
1/3/55

[fol. 370] and Panair do Brasil have been furnishing far less attractive to the transcontinental flying public. You have taken the position that there was no necessity for

Panagra to come into Sao Paulo and Rio, stating that this joint service was thoroughly adequate.

The very fact that your affiliate, Panair do Brasil has decided that it is now necessary to provide the service which in our judgment Panagra should have applied for long ago, and would have applied for had you agreed as we have often requested, appears to me to prove precisely what we have been saying all along.

The purpose of my telephone call was to again request you to agree to the filing of an application by Panagra for the short extension of the route from Campo Grande to Rio even though at this late date the likelihood of securing such a route extension might have diminished greatly.

I did not propose that you seek to have Panair withdraw from its projected cross-continent operations and as a matter of fact, proceeded on the assumption that those operations would become effective in the near future.

As indicated in your letter, we should sit down and discuss this and related matters, and Andy Shea and I look forward to the pleasure of doing so at your earliest convenience.

Sincerely yours,

/s/ PETER

2078

PAA 3828

[fol. 371]

GOVERNMENT'S EXHIBIT 163

February 25, 1936

D. S. Iglehart, Esq.,
Delray, Florida

Dear Mr. Iglehart:

PANAGRA
• • • • •

In connection with direct Kingston/Cristobal route, I enclose copy of report prepared by Dunn showing the comparison of this route with the present Kingston/Barranquilla route. There seems to be nothing inherently more dangerous in the Cristobal route except whatever hazard there may be in a somewhat longer flight. This is important among other things in its effect on arrival time at destination. This in turn is controlled to a considerable extent by departure time from Miami which ought to be earlier than it is. Trippe always claims it cannot be earlier because of late arrival of Eastern Air from New York but we have had this up with the Post Office and it may be that some time can be picked up here.

Sincerely yours,

Rog

GR-1152

GR-1153

10-20-54 PJS

G 1634

G 1635

[fol. 372]

GOVERNMENT'S EXHIBIT 164

Personal

SANTIAGO, August 21, 193

Robert H. Patchin, Esq.,
NEW YORK.

Dear Bert:

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Regarding my trip by air, you will probably have seen my letters covering my observations. The service rendered by Panagra is superior in many respects to that rendered by Panair. Regarding the speeding up of the Miami/Panama route, there is no doubt in my mind but that this can be done without any risk if Trippe wants to do it.

Since the inauguration of the new itinerary only about two voyages were made on time on the northern section and from what I know it seems that the Miami departures are invariably late. Just why this should be so, is a puzzle to me, as they have more margin at that point than anywhere else and there is no reason why they should not take off on time, which is 8 A.M., and if they want to they can take off at 7:30, making Panama that same afternoon if they choose to go from Kingston direct instead of going to Barranquilla. It will be a little difficult to persuade Trippe to do this but I have no doubt that in the course of time he will have to adopt the one-day schedule to Panama. As far as Panagra is concerned, they have frequently demonstrated, including the trip I took, that they can make Panama/Lima and Lima/Santiago in one day each. Personally I am not particularly proud of this performance during the winter months as to arrive at Lima at night is during the winter months as to arrive at Lima at night is a little disagreeable, particularly when there is a great deal of fog, as was the case during my trip.

.

Sincerely yours,

(Signed) A. GARNI

[fol. 373]

GOVERNMENT'S EXHIBIT 165

Air Mail 9.10
Washington 9.14

SANTIAGO, September 9, 1936.

Hartlee Branch, Esq.,
Second Assistant Postmaster General,
Washington, D. C.

Dear Mr. Branch:

You have, I take it, heard before now that since the new schedule has been inaugurated there have been frequent delays between Miami and Barranquilla, originating at Miami. These innocent looking delays of one hour to one hour and a half become cumulative very rapidly, because they are just enough to provide an inducement to remain at Kingston overnight instead of making Barranquilla, thereby losing about three hours of daylight flying time, as these planes, even leaving late from Miami, as we did, arrive at Kingston a little before 3 P. M.

This sort of a performance by Pan American, not to arrive in Barranquilla until the second morning, which has occurred quite frequently, completely demoralizes the whole West Coast schedule because, as indicated, by the time the plane is ready to take off from Barranquilla the passengers and mail corresponding to that particular trip should already be nearing Ecuador, so that before the mail gets to Panama the whole benefit of the one-day cut made by the new schedule is under these circumstances entirely wiped out.

1-31-55

GR-11541

GR-11542

G061985

G061986

[fol. 374] The West Coast route being the shortest and most dependable route to B. A. ought not be delayed and hindered in capitalizing these natural advantages which will put this important commercial center within flying time of New York comparable or superior to that from European centers, by the purely artificial consideration which now makes Barranquilla the first overnight stop. The importance of the Canal Zone to the United States in itself and quite apart from any other consideration, also makes the best possible service to Cristobal imperative.

The port of entry to South America of the important United States West Coast trunk line ought to be in United States territory and not in a foreign country. Experience has shown that a steamship port of entry tends to become an important center. One need only look at the port and dock development, etc., at Cristobal to realize what this means. The same is true of an airline port of entry and as air transportation develops this will become more and more apparent. For obvious reasons this development financed by the United States Government ought to take place in United States territory. The time to insure this is now when the development is just starting. To delay it until facilities have been created, lines of travel established and custom and habit grown up at some other point will be fatal.

Yours sincerely,

(Signed) A. GARNI

GR-11543

G061987

GR-11544

G061988

GR-11545

G061989

[fol. 375]

GOVERNMENT'S EXHIBIT 166

Mr. Iglehart
Mr. Roig
Mr. Cogswell

POST OFFICE DEPARTMENT
SECOND ASSISTANT POSTMASTER GENERAL
WASHINGTON

file

pl. return
AG

October 3, 1936.

Mr. A. Garni,
Vice President
W. R. Grace & Co.,
7 Hanover Square,
New York, N. Y.

My dear Mr. Garni:

I have carefully read your letter of September 22, in further reference to maintenance of satisfactory air mail schedules from Miami by the Canal Zone and other intermediate points to Buenos Aires.

The Department is disappointed in the failure of Pan American Airways to maintain regular through flights in a day from Miami to Barranquilla. Very much longer daily flights are made by some of the European companies on their international routes and it would appear that with efficient equipment the Miami-Barranquilla flight should be regularly made.

We have this matter up with Pan American Airways and that company is making increased effort to comply with the schedule. We are glad to have your suggestions for consideration in working out a service that will facilitate an

expeditious delivery of the mails with the lowest practicable cost to the Department.

Sincerely yours,

G061970

/s/ HARLLEE BRANCH
Harlee Branch
Second Assistant
Postmaster General.

1-31-55

F

GR-11549

[fol. 376]

GOVERNMENT'S EXHIBIT 167

NY-22

MIAMI-BARRANQUILLA OPERATIONS

Buenos Aires
October 15, 1936

Mr. G. Vidal
New York,—

I was glad to see by your JDM-22 of October 2nd that Panair is going to make an attempt to reach Barranquilla at 4.50 instead of 5.43 PM by leaving an hour earlier from Miami, and omitting Havana. I use the word "attempt" advisedly; if I am not mistaken, Panair planes have been late in reaching Cristobal subsequent to your letter on at least two additional occasions.

This situation is so highly undesirable, that it would not surprise me if very strong representations are made in Washington by the Post Offices on the West Coast with whom we have contractual obligations.

The situation may be a little better on the East Coast, but I surmise that Panair arrives late in Buenos Aires about 50% of the trips.

Very truly yours,

J. D. MacGregor

JDM:PG

P.S. Re. last paragraph, I have since been able to check my surmise and find it is correct.

cc HJRoig
RHPatchin
HRHarris

GR-1470

11/16/54

JPC

6013198

[fol. 377]

GOVERNMENT'S EXHIBIT 168

March 15, 1937

MEMORANDUM FOR FILE:

MIAMI CRISTOBAL IN ONE DAY

History—In view of the importance to the U. S. Post Office and to Panagra, of reducing the elapsed time from the United States to Buenos Aires, via F.A.M. 9 as much as possible, the Panair Miami Cristobal schedule (*formerly 2 days, now 1 1/2 days*) has for some time been decidedly unsatisfactory. Owing to the spacing of the important local passenger traffic sections of Panagra's route and the location of the Andes crossing with respect to the rest of the route, an efficient schedule Cristobal/Buenos Aires requires a dawn southbound departure from Cristobal. This requires arrival by Panair at Cristobal on the evening of the previous day.

For two or three years, the U. S. Post Office and W. R. Grace & Co. have been advocating a one day service Miami-Cristobal.

Routes—There are several possible operations which would effect this improvement on the southbound trip. (The

northbound trip has been made in one day, on occasion, under the existing setup.)

1. Present route Miami/Kingston/Barranquilla/Cristobal, the Barranquilla/Cristobal leg (or part of it) to be made after dark.

(a) Panair at first objected to this on the ground that weather conditions at Cristobal were unsafe for night arrival. In view of the weather information supplied by the Army and Navy establishments at Cristobal, and from other sources (see exhibits I-VI), this position has now apparently been abandoned, and Mr. Trippe now states that

(b) In view of the "mountains" which must be crossed on his route approaching Cristobal, this leg is unsafe for night flying.

2. Miami/Kingston/Cristobal, with direct flight from Kingston to Cristobal.

(a) Length of this route would be 1395 miles if a stop were made at Cienfuegos, and present offi-

GR-5308

11/22/54

JPC

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[fol. 378] cial mileage route taken, or 1208.5 miles if direct great circle flight Miami/Kingston (580.5 miles) were made. A schedule with S-43 at 50% power Miami/Kingston/Cristobal is attached (Exhibit VII), showing 9 hours 53 minutes elapsed time. This route was actually flown, on ferry flight, October 15, 1936, in 8 hours 20 minutes elapsed time. Exhibit VIII gives data and schedule possibilities on Miami/Cienfuegos/Kingston/Cristobal operation.

Present Panair schedule calls for departure southbound from Kingston at 1:25 PM. If direct flight to Cristobal were made, arrival would be about 5:30 PM, one hour earlier than the hour of total darkness (6:30 PM) on shortest day of year.

(b) It has been stated that the Kingston/Cristobal flight is not feasible, owing to unfavorable winds. A report (Exhibit IX) based on an exhaustive study of wind data from Hydrographic charts, shows that these wind conditions are not only not prohibitive, but that they favor the southbound trip, on which heavier pay loads are to be expected than on the northbound trip, owing to volume of mail and express.

(c) The undersigned understands that the committee of Panair pilots appointed to study schedule improvement in 1936, recommended direct flight Kingston/Cristobal.

3. Miami/Havana/Grand Cayman Island/Old Providence Island/Cristobal. Total distance 1178 miles. Longest leg (Grand Cayman Island to Old Providence Island) 413 miles.

(a) Schedule with S-43 at 50% power, on the assumption of average headwind condition, is given in Exhibit X, and shows 10 hours 34 minutes elapsed time, allowing 20 minutes at all stops.

General Discussion

G029249

Barranquilla Route

The "mountains" to which Mr. Trippe refers appear to be those inland from Porto Bello promontory, about 35 miles east of Cristobal. The highest of these are not over 3100 feet high, and would scarcely interfere even with a normal descent into Cristobal from the east. Moreover, in case of questionable weather over these mountains, or in

[fol. 379] night operation, there is no reason why the aircraft should not skirt the coast, avoiding the hills altogether, and approach Cristobal from the unobstructed harbor side. I believe this is done at present on most trips.

Kingston Route

Although from a purely operating point of view the route via Grand Cayman and Old Providence Islands possesses outstanding advantages, the route via Kingston with direct flight Kingston/Cristobal is very little longer, especially if Cienfuegos is omitted. It is definitely superior to the Barranquilla route as a means of reaching Cristobal in one day, as there is ample margin of time to allow on all-daylight operation.

Other advantages of this route are outlined in Exhibit XI.

The 628 mile overwater flight Kingston/Cristobal cannot be considered as a serious obstacle from an operating point of view, in view of the facts brought out in Exhibit IX, and as substantiated by flights already made and on record. Although less payload could be carried on this flight than on the present Kingston/Barranquilla flight, the present heavy traffic between Miami and Kingston would automatically result in some space being unoccupied south of Kingston in any case.

On the trans-Pacific service, Panair makes a 2400 mile flight, terminating at a point (Alameda, California) where weather conditions are frequently worse than at Cristobal, and where surrounding mountains make the approach a much more difficult problem than at Cristobal, which is unobstructed on the ocean side. It does not seem reasonable that trans-Caribbean operations, frequently spoken of as the "laboratory of ocean flying", can be "stumped" by a flight of 828 miles from Kingston to Cristobal.

[fol. 380]

GOVERNMENT'S EXHIBIT 169

Form No. 146

Via aac

W. R. GRACE & Co.
LA PAZ

PRIVATE Cable

Filed LA PAZ, October 15th, 1937.

Memorandum of cablegram to Mr. D. S. Iglehart, New York.

Cable Address IGLEHART, No. #7.

Time received _____ M

Time Sent 8.59 pm M

CODE WORD
Imp. Electrica-41,559

TRANSLATION

1. Cable #7

Refg. your cable # 5

2. 15 to 27 words

(Juan definitely opposed to continuance operations via Cali with any type plane for the present in which I agree)

3. This should be

4. settled

5. in accordance with our

6. Palmetto

7. # 21

8. Words 163 to 188

9. surely.

10. you

11. do not mean

12. 22 to 24 words

13. for

14. unless

15/16. Scadta Umea

17. operations

- 18. unsound
- 19. our
- 20. Palmetto
- 21/22. # 29 Words 142/163
- 23. entirely
- 24. feasible as
- 25. discussed with
- 26. Rihl
- Sentence ends.
- 27. Words 60 to 77

(It is our understanding that this would enable us to carry out July 15th schedule northbound when as at present this is subject to 12 hours delay of which Juan is complaining)

- 28. Whatever
- 29. pros and cons
- 30. purchase of
- 31. second
- 32. S.43
- 33. this is

G0135

GR-1687

11-1-54 PJS

[fol. 381]

- 34. no reason for
- 35. doing so
- 36. Sentence ends.
- Our
- 37. whole
- 38. difficulty has arisen
- 39. through
- 40. undertaking
- 41. July 15th
- 42. schedule
- 43. relying on them to
- 44. make
- 45. Cristobal
- 46. one day
- 47. which
- 48. they are not
- 49. doing

50. and they cannot
51. therefore
52. complain of
53. northbound
54. schedule
55. and I
56. see no reason for
57. straining
58. to make
59. in
60. 3 days
61. as long as
62. southbound
63. present situation
64. exists
65. words 177-8
(overnighting Cali)
66. seem inconsistent with
67. words 15-27
(see 2. above)
68. and accommodation(s).
69. Buenaventura
70. so bad
71. that
72. regular
73. overnight
74. there
75. must not be considered
76. which means
77. if omit
78. Cali
79. schedule
80. must
81. overnight
82. Guayaquil Sentence ends.
83. Words 181-187 (whenever
necessary to prevent
arrival Guayaquil after
dark)
84. it is
85. not enough

- 86. to have this
- 87. as an alternative
- 88/89. as it means that we
- 90. have no
- 91. regular
- 92. schedule
- 93. at all
- 94. as at present
- 95. which is
- 96. thoroughly
- 97. demoralizing. Sentence E
- We
- 98. must have
- 99. safe
- 100. schedule

GR-1688

G013564

[fol. 382]

- 101. definitely
- 102. based on
- 103. either ... or
- 104. Cali
- 105. Guayaquil
- 106. but not
- 107. both.
- Sentence ends.
- 108. Will cable again
- 109. when we hear from
- 110. H.R. Harris
- 111. in accordance with
- 112. words 28/36

(G.V. will discuss it by cable
with Panagra West Coast
Management, you and
J.D.M.)

- 113. but
- 114. bear in mind
- 115. our
- 116. Palmetto = 24
- 117. 151 to 179 words
- 118. and that I
- 119. do not think we should
- 120. in any case

- 121. undertake
- 122. one day
- 123. Lima
- 124. Cristobal
- 125. until
- 126. land
- 127. operation(s)
- 128. complete.
Sentence ends.
- 129. J.D.M.
- 130. has seen and
- 131. approves
- 132. foregoing.
Sentence ends. I
- 133. have no copy of
- 134. this cable
- 135. until
- 136/8. reach Santiago (Chile).

Roig

G013565

GR-1689

[fol. 383]

GOVERNMENT'S EXHIBIT 170

W. R. Grace & Co.
New York

No. 7
(HJR Trip Series)

New York, October 18, 1937

Harold J. Roig, Esq.,
Santiago, Chile

Dear Roig:

Your No. 12. I was very happy to learn that Kirkland was put in charge of operations and Shannon in charge of maintenance, and particularly happy to know that Harris had accepted the new set-up. You have made great progress toward the solution of your administrative problem.

The discussion still continues as to the advisability of the purchase of the S-43 and furthermore as to the fixing of

schedules. Garni is handling the whole matter and will be writing to you fully about it. Meanwhile, my own view is that Trippe can go to Cristobal in a day and *should be made to do so at once*. We cannot do anything with regard to establishing an adequate schedule on our line until Trippe goes to Cristobal in a day. I believe it is a perfectly feasible thing to work toward a definite schedule of one day from Cristobal to Lima, and a second day from Lima to Santiago. This requires adequate lighting and emergency fields and adequate ground direction equipment, and furthermore, a thorough education of pilots in instrument flying. You are working on all of these points and will have them all in shape in a relatively short time.

This plan would be greatly facilitated by land flying from Guayaquil to Cristobal. My feeling is that if practicable you should go to Colombia on your return from the south and form your opinion on the spot, in view of the investigation that is being made, whether or not we are going to be able to use fast land planes for the northern section, and if so, how long it will take to equip ourselves for doing this.

GR-1697

G 1963

10-21-54 PJS

[fol. 384] Then can decide whether or not to buy an S-43.

Trippe's objection to calling in Cali was not the S-43 but a lack of adequate ground equipment. I fancy this can be provided promptly.

Yours very truly,

/s/ D. S. IGLEHAFT

P.S. am just off for Washington and can therefore not write you by this mail.

Trippe is now definitely contemplating operating DC-3's between Brownsville and La Guayra via Central America and Panama.

This makes land operations Panama-Ecuador look fairly simple. Don't you think so?

/s/ DSI

GR-1698

G 1964

[fol. 385]

GOVERNMENT'S EXHIBIT 171

No. 9

(HJR Trip Series)

New York, October 21, 1937

Harold J. Roig, Esq.,
Lima, Peru.

Dear Roig:

Garni, Daulton, Patchin, Cogswell and Kirby have all been in Washington working over our steamer problem there, and although we are not making progress very rapidly, we have, I think, laid out a course of action that should ultimately result successfully.

Panagra—I am referring all of your letters to Garni and he will be taking up the different points constantly with you, and what I say is merely as a corollary.

Colombia—Trippe's tenacious insistence on making Barranquilla the central distributing point, and particularly now, his plan to run a service through Central America that actually flies through Cristobal to Barranquilla and on to Venezuela, and his having his Miami service hooked up with that line at Barranquilla instead of at Cristobal, all emphasizes the seriousness of our problem of getting satisfactory schedules and satisfactory service through from here to Buenos Aires. From the standpoint of our Government it would seem obvious that the thing to do is to demand a direct service from Miami via Kingston to Cristobal, and then to distribute to Colombia by land route directly from Cristobal to Medellin and to Cali for further distribution from these points. Here the Seadta interest intervenes and the mystery of Trippe's relation to Seadta makes it difficult to decide what our relation to Seadta should be.

In this connection I notice a report from the Colombian Consul, which says, "A bill which authorizes the Government to purchase shares of the SACO Air Transportation Company up to \$200,000, has been approved in third de-

bate". When you go up to Colombia I think you should
 GR-1700 10-21-54PJS G 1961

[fol. 386] on the ground decide whether we want to alter our policy. In my opinion we will never get a satisfactory schedule over our route which will make Buenos Aires in 31½ days until Trippe has been forced to fly from Kingston to Cristobal.

Yours very truly,

(signed) D S IGLEHART

GR-1701

G1962

[fol. 387]

GOVERNMENT'S EXHIBIT 172

Personal

Washington, D. C., October 27, 1937.

Harold J. Roig, Esq.,

SANTIAGO, Chile (Copy to Lima)

Dear Roig:

I have before me Santiago Palmetto No. 24 as also Lima Palmetto No. 52, commenting on the advantages or disadvantages of Schedule C. In order that you may appreciate the position at this end I want to describe briefly the developments since you left.

Mr. Iglehart, as you know, is insistent on two points: First that we should force the issue now and prevail on the Post Office Department to eliminate Barranquilla entirely, making the southbound trip to Panama in one day via Kingston direct, and second, he is entirely opposed to the purchase of another S-43, on the grounds that this might well result in an unnecessary investment and in a plane that he considers unsuitable for reasons frequently discussed, as also for the reason that the acquisition of an additional S-43 might well retard the ultimate inauguration of an all-land plane service from Panama to B. A.

With reference to the first point (i.e., total elimination of Barranquilla) while I seriously doubt that it can be accomplished at this time I have nevertheless pressed this subject with Juan and on Columbus Day went to Washington to discuss it with Lamiell. The former has for some time agreed to make a direct trip via Kingston on the condition that this be the third trip which he wants to apply for. Outlining to Juan the great difficulty to get the money for a third trip as quickly as it was desirable to solve this problem, he has finally, under great pressure, agreed to a change in the program in the sense that he would run one GR-1710

10-21-54 PJS

G 1956

[fol. 3-8] of the two existing trips in one day to Panama via Kingston direct, continuing the other trip as at present, overnighing at Barranquilla.

I thought this denoted quite a little progress and I hooked onto this suggestion, which is really the so-called C Plan. Knowing how anxious you and everybody else are to improve our whole itinerary situation, I thought the C Plan presented about as good a solution as could be hoped for under the circumstances and therefore approved the plan in principle when discussing it with Vidal, who accompanied me Monday night as far as Philadelphia, and I authorized him to send out the corresponding message, to which there seems to be so much opposition.

As far as my discussion with Lamiell is concerned I have made "theoretical" progress inasmuch as I got him to agree in principle that the proper thing to do would be for him to forget all about Barranquilla and to meet Trippe's argument with reference to the enormous amount of mail movement to Colombia and passenger movement to Venezuela (all via Barranquilla) by saying that as far as the Colombian mail is concerned this should be taken right into Cali by Panagra and redistributed from there to Bogota, Medellin, etc., by local services; with reference to the alleged large movement to Venezuela, I told him that with the improved East Coast schedule Venezuela should logically be served

via Trinidad rather than give that country four services a week—two via Barranquilla and two via Trinidad—which has so far placed that country in a preferential position for no particular reason whatever.

Lamiell meekly agreed to the soundness of this suggestion but brought out the fact that Panair has a large investment in Barranquilla; also that Colombia would object to the elimination of Barranquilla, etc., etc., so that his
GR-1711

G 1957

[fol. 389] acquiescence really does not amount to very much. My impression, therefore, was, and still is, that if we keep harping on the total elimination of Barranquilla we will stymie ourselves and get nowhere to improve the present unsatisfactory schedule position.

For these reasons I felt I had made quite a little progress in inducing Trippe to agree to deviate one of the existing trips, as this is at least half a loaf, which is always better than none, and if we should be successful in getting the Post Office Department's approval to this program (which incidentally would mean an additional appropriation to finance a weekly shuttle from Kingston to Barranquilla) we would thereby definitely establish the feasibility of the direct route and gradually bring out the great improvement thereby to the entire West Coast service.

Yours sincerely,

(signed) A. GARNI

GR-1712

G 1958

[fol. 390]

GOVERNMENT'S EXHIBIT 173

PERSONAL

Washington, D. C., October 28, 1937.

Harold J. Roig, Esq.,

SANTIAGO, Chile (Copy to Lima).

Dear Roig:

Since writing you my letter under yesterday's date I had an all-evening session with Juan on the subject of running both services direct to Panamá, as also on the subject of the organization chart.

The position described in my yesterday's letter, regarding the deviation of one of the existing trips, is in accordance with the outline given me by Vidal last Monday but differs somewhat from Juan's basic idea, which is that he is ready to run one of the existing trips from Kingston direct to Panama, provided the Post Office Department subsidizes one additional trip (not a Kingston-Barranquilla shuttle as indicated by me but an additional trip from Miami to Barranquilla).

This differs somewhat from my outline inasmuch as Juan is unwilling to run one of the existing trips from Kingston direct to Panama unless he gets support for one extra trip from Miami to Barranquilla to take care of the movement in that section. On this latter point he says that due to various readjustments in Mexico, together with the fact that he is getting a substantial subsidy from Jamaica, he is in a position to run this extra Miami-Barranquilla trip for a relatively small sum, which the Post Office Department has available and which he is confident they will grant him.

Itinerary Situation: I have discussed this at great length and on further reading the many cables and letters on this subject, believe that the whole issue is becoming entirely too controversial.

I have also discussed with Juan the question of early GR-1716

10-21-54 PJS

G 1952

[fol. 391] inauguration of land operations and found him to be more insistent than ever that this should be approached with a great deal of care, in which we, of course, all concur, as no one wants to do anything that would in any way lessen the safety factor. On reviewing the whole situation my present opinion is that if we can arrange to run one of the existing trips to Panama in one day (Kingston direct) and assuming that land operations all the way from Cristobal south cannot be resorted to as early as would be desirable for the purpose of an improved itinerary, we should adopt the following itinerary:

On trip going Panama direct:

First night	Panama
Second night	Trujillo
Third night	Antofagasta
Fourth night	Buenos Aires

On trip via Barranquilla:

First night	Barranquilla (sorting mail there)
Second night	Guayaquil
Third night	Arica
Fourth night	Santiago
Following noon	Buenos Aires

This would give one trip to B. A. in four days and another in 4 1/2 days, but on returning north both trips would be made in four days from B. A. to Miami, the itinerary northbound being:

First day to	Antofagasta
Second day to	Trujillo
Third day to	Panama
Fourth day to	Miami

arriving New York early the following morning.

In expressing this view I am well aware of certain objections but I am brushing aside entirely the passengers' con-

venience or desire to overnight in a capital rather than in Trujillo, Arica or Antofagasta, as this is of secondary importance; I feel that very few, if any, will be deterred
GR-1717

G 1953

[fol. 392] from taking this trip just because we overnight in Trujillo instead of in Lima, or in Antofagasta instead of in Santiago. The plan has certain objections inasmuch as the mail does not get to Lima until the morning of the third day (I am speaking of the faster of the two trips); on the other hand, it has the advantage of eliminating day-break departure from Lima south with a rather long trip all the way to Santiago.

This sort of an itinerary distributes the 4,400-odd miles between Cristobal and Buenos Aires in a much more even way than the July 15 schedule, which contemplated Lima-Santiago in one day each, with fairly heavy mileage the first two days and insufficient mileage the last day. After seeing the Post Office Department, which I still hope to do today, I may again communicate with you by mail or by cable, preferably after you receive this letter, so that we can get our ideas together on a new schedule.

Organization Chart: I have also had a long powwow with Juan about this, the net of which is that I feel it better to discuss this further on your return. He thinks that the agent's functions on the Coast should be defined; also financial and accounting control should be centered in New York and not with the agent on the Coast. I told him that it is my impression that your reference in this respect applied specifically to financial and accounting functions *on the Coast* and did not refer to the Company's *general* financial or accounting position. It would be a long story to give you all the pro's and con's discussed and as you will probably be back here in the near future I see no point in pursuing this matter further, particularly as with you and George Rihl absent I doubt that Juan and I could reach an agreement.

Sincerely yours,

/s/ A. GARNI

GR-1718

G 1954

[fol. 393]

GOVERNMENT'S EXHIBIT 174

copy of handwritten letter

PERSONAL

Dear Garni,

Your Personal Letters Oct 27, 28

I feel that the progress you have made, as indicated both by "Plan C" and by Palmetto #80, in the direction of getting one day direct service Miami/Cristobal is most satisfactory indeed. I fully realize, also the importance to your efforts in this direction of our showing correspondingly improved Panagra schedules and have had this constantly in mind in formulating my views on the Panagra schedules we have had under consideration.

While we have pointed out certain traffic difficulties resulting from undesirable overnight stops etc which have been suggested in this connection, I am perfectly willing to forget these (even tho I still feel it means some considerable financial loss) if you feel that the general interest, and particularly the facilitation of the one day direct trip Miami/Cristobal, makes it expedient. This leaves in the picture just the factors required for a sound operation which is, of course, the thing to which we all give primary consideration.

While it is true that "Plan C" and later proposals make equal division of mileage *quantitatively*, I do not feel that they do so *qualitatively*. In other words, the miles between Antofagasta/B.A. for one reason, and the miles between Cristobal/Lima for another, are not the same kind of miles as those between, let us say, Lima/Santiago. In the two sections referred to, we have certain definite facts which simply cannot be ignored and which must be dealt with as they are in formulating any schedule.

(1) Under certain conditions, one day Antofagasta/B.A. is perfectly feasible. We have done it on a number of occa-

sions,—the last only a few days ago,—without the slightest

GR-1719

10/19/54

G 1256

[fol. 394] difficulty. I feel, however, that it is a very different thing to do this on occasion and to make a fixed schedule based on doing it regularly. With conditions as they are at Antofagasta and B.A. and with the Andes crossing in between, I feel that a regular one day schedule between these points at the present time is unsound:

Very sincerely,

(Sgd) HAROLD J. ROIG

Lima 5 Nov '37

GR-1721

G 1258

[fol. 395]

GOVERNMENT'S EXHIBIT 175

Inf. file

11/22/37

Washington, D. C., November 8, 1937.

Harold J. Roig, Esq.,
LIMA, Peru.

Dear Roig:

PANAGRA SCHEDULES

Ever since you left I have been battling with all concerned over the question of schedules as I fully appreciate the importance of doing something promptly with reference thereto. I have had a number of rounds with Juan, the Post Office, Bob Thach, etc., all in an effort to press for a direct service to Panama in one day.

The Post Office Dept. concurs entirely with our views in this respect and are ready to authorize this direct service, provided it does not cost them any more money. They

have even worked out a scheme of their own, connecting at Kingston with the through service, running two separate legs from that point, one to Barranquilla, and the other to Panama direct and cutting out the shuttle between Barranquilla and Kingston. This scheme would not require any additional funds but Juan vigorously objected to it, advancing numerous reasons, some of which are sound and some unsound. I pressed very hard to get this adopted but Juan insists that the only satisfactory solution would be for the Post Office Department to authorize two brand new trips from Miami to Panama direct, leaving the two trips from Miami to Barranquilla undisturbed, or in other words, to give him four independent trips per week between Miami and the Canal and/or Barranquilla.

Theoretically such an improvement would cost the Post Office Dept. approximately \$600,000, but knowing that this sum will not be available Juan has leaned over backwards to cut this down to a figure that might go by. In the first place, he offered to cut out the service between Havana and Belize, in which a substantial subsidy is involved; in

GR-1723

11-16-54 PJS

G016117

[fol. 396] the second place he offered to cut out the subsidy between Barranquilla and Cristobal, even if he were obliged, for reasons of his own, to continue running that section. With these two contributions the figure of \$600,000, above referred to comes down to \$285,000.

He then proceeded to further reduce this by offering to waive one northbound trip Barranquilla to Miami, which brought the final figure of additional money required down to \$142,500. I told the Post Office Dept. that I felt that Panair had gone a long distance to make it possible to solve this whole problem and that they ought to find ways and means to find this sum, which, compared to the important improvement accruing to the whole West Coast route as also to the Caribbean service generally, is really a

trifling matter. However, in the existing atmosphere it is useless to talk about additional appropriations and I am afraid that it will be some time before we get a direct one-day service to Panama *twice* a week.

I have been groping around for some other solution and the net of protracted conversations in this respect is that I believe 50% of our problem can be solved, but even this may require our giving up the Montevideo-Buenos Aires service, which incidentally is not much of an asset. Juan is ready at the moment to run one of the two trips via Kingston direct to Panama in one day and the Post Office Dept. while formerly objecting to two distinct services, this afternoon felt that while this solves only half their problem, or to use their own words, "is only half of what we are aiming for," now seems to be willing to accept this change as a temporary solution.

As far as the other service via Barranquilla is concerned, Panair is ready to cut out Cienfuegos, thus saving approximately half-an-hour. And they are also ready to run the Cristobal-Barranquilla section with DC3s, thus
GR-1724

G016118

[fol. 397] saving a further half hour. It is expected that with these two savings the present 2½ or 3 hours' delay at the Isthmus in sorting the mail could be done away with to a large extent for the reason that the Cienfuegos saving would be used for a correspondingly later take-off at Miami to enable them to do more sorting there, whereas the Barranquilla-Cristobal saving would give them a half hour at the Isthmus over what they now have available, and it is calculated that in this way Panagra could take off at Cristobal at 9 A.M. This would be an improvement over the present performance, whereas the direct trip would be a definite step forward.

My feeling is that if we try to make a clean job of the whole business, continuing to harp on two direct trips to Panama via Kingston, we will be discussing this for another year or two, whereas if we accept the foregoing set-up we improve both of our existing services, get 50% of what we

are after as far as one day to Panama is concerned, and once we get this program going the rest will probably solve itself in the course of six to twelve months. In other words, I believe that if we get one trip on a direct basis now, the second one will come along before the end of next year.

I discussed this whole matter this afternoon with Grayson and will discuss it further tomorrow with Lamiell and Harlee Branch, but do not think the position will be any different to what I now describe it to be. In talking to Grayson this afternoon I told him that we are very anxious to get this question of schedules settled but that as long as the Miami-Panama route is in such an undefined, not to say sloppy, state, we are really stymied and I then launched a new attack on the subject of eliminating Barranquilla entirely, running both services direct to Panama and dropping all Colombian mail at Cali. As a result of this the GR-1725

G016119

[fol. 398] foregoing developed and I am satisfied that while the Post Office Department sympathizes with our views we would be just wasting a lot of time by pressing for a complete solution of our problem at this time; and as far as I am concerned I would accept the idea of running one trip direct and speed up the mail sorting on the indirect trip and get going.

If in principle you concur with these views I will try to get everybody to agree before the idea gets cold again and I would appreciate it, therefore, if you would cable me as soon as practicable just what you think ought to be done.

Colombian Survey: New York just advised me of your cable saying that Campbell's survey is complete and I read between the lines that the conclusions are favorable to land operations. As Trippe has always volunteered to have this survey checked up by his experts and as I do not believe he has any intention of doing this, I suggested that Vidal submit the gist of your message to Rihl and Trippe, asking them whether they want to send Priester down to Colombia to check up this survey or if they prefer to have King and Campbell return to New York to discuss it.

I feel that Trippe should declare himself *now*; otherwise he will stall along indefinitely as he still seems to be opposed to *any* move that will improve the West Coast service.

Yours sincerely,

/s/ A. GARNI

GR-1726

G016120

GR-1728

G016122

GR-1729

G016123

LAKE ENDS

[fol. 399]

GOVERNMENT'S EXHIBIT 176

I had memo of all instances.
Roy Howard

WH 6-4890

W. R. Grace & Co.
New York

In resolution have record of conflicting interest and fact that Pan Air moving overland, Venezuela to Calif. B.A. to Rio.

December 24, 1937

Dear Mr. Iglehart:

Herewith I am sending you a clean copy of your handwritten draft letter to Mr. Whitney (marked "Draft No. 1"), and draft of another letter (marked "Draft No. 2") which attempts to adapt your draft to the later suggestion made in your confidential letter of December 29th. Referring to our telephone conversation, I intentionally omitted from my draft reference to the Grace Line Caribbean development as I feel that the introduction of this, coupled with indication of possibility of similar development in air will in view of Panair's large Caribbean aviation picture, inject a new and highly controversial issue

into the discussion which is apt to further complicate agreement on the main issue. I have amplified the draft as I read it to you over the telephone by adding some further particulars supporting the charge of subordination of Panagra's interests to those of Panair.

I also enclose copy of the resolution which we offered at yesterday's Board meeting. After considerable discussion, the matter was deferred to next week's meeting on the understanding that if agreement had not been reached by that time, our motion would go in yesterday's minutes if we desired.

Both Garni and I thoroughly agree that rather than write any letter to Mr. Whitney, it would be better if you were to telephone him as you suggest. Our idea of the telephone conversation would be that it follow more or less the lines of draft No. 2 enclosed with various amplifications which you can add in a telephone conversation more satisfactorily than in a letter and winding up with the suggestion you indicated that as a favor to you, Mr. Whitney bring about GR-7350

G031015 58

[fol. 400] this meeting between us and two of the Panair directors not including Trippe. We are inclined to believe that it would be better not to make the definite suggestion of liquidation at this time but if you feel that it should not be entirely omitted, introduce it not as a threat but as a statement of the inevitable condition into which we are drifting unless the course you suggest is taken.

As I told you, Trippe is also thinking a good deal about this organization problem and in the last conversation Garni and I had with George Rihl last week, a good part of the time was devoted to this subject. They claim that their plan is actuated by the desire to give the company a wholly independent management. In fact, however, what their plan really comes down to is eliminating a good part of the present Grace intervention while retaining and increasing the Pan American intervention. This is, I think, quite plain from the memorandum on the subject which Rihl left

with us entitled "Suggested Plan for Re-organization for Pan American Grace Airways", copy of which is enclosed.

Sincerely yours,

/s/ HAROLD J. REAG

D. S. Eglehart, Esq.,
Delray, Florida

P.S.

and I are going to Washington Monday afternoon and will probably be there 2 or 3 days

HJR

Enclosures

GR-7351

G031016 59

[fol. 401]

Draft No. 1

C. V. Whitney, Esq.,
Chairman of the Board,
Pan American Airways,
New York City

Dear Mr. Whitney:

In representation of my firm as owner of half of the shares of the Pan American Grace Airways, Inc., I write to you as the representative of the owner of the other half.

I have once or twice appealed to you to intervene in settling problems connected with this enterprise and you have in each case responded in a very kindly way and with effectiveness.

Now a situation has arisen which has been accumulating for some time and which has now become so grave as to require some radical action for its remedy. I must ask again for your cooperation and assistance.

years ago in the last conversation which I have had with Mr. Trippe, your senior representative on the Board of Directors of Pan American Grace Airways, he stated that where there was a possible conflict between the interests of

the Pan American and Panagra, he felt that he had a right, in fact, it was his duty, to favor his 100% interest as against his 50% interest. I replied that in my opinion he should when sitting on the Board of Panagra, either act in its interest or retire from the Board.

Mr. Trippe has, however, since that time, constantly followed the policy of placing obstacles in the way of the development of Panagra whenever he considered that by so doing he might further the interest of Panair.

His attitude in this respect has, in my opinion, been unethical and in fact, indefensible. I could place before you countless instances of action and inaction to support this opinion. As I say, I have not seen Mr. Trippe since he enunciated his above mentioned attitude. My associated GR-1747 10-20-54 PJS G1753 [foi. 402] have, however, been constantly in touch with him and have had most unusual patience and forbearance in their dealings with him.

The business has been kept going and was remarkably successful until about two years ago when it became large and its administrative problems became greater and required prompt decisions. As the business grew and as it became more and more apparent that Panagra was the direct and logical route to Buenos Aires, Mr. Trippe's opposition increased and he sought every means of retarding and obstructing our company's normal development. His 100% interest was in running a clipper service around the East Coast of South America and his 50% interest was in the direct route (Panagra). The more Panagra has grown and developed, the more he has opposed its development. We now have really serious problems such as the extension of land service from Guayaquil to Cristobal, the obtaining of a semi-weekly direct service from Cristobal to Miami, the working out of an adequate administrative program, the obtaining from Pan American Airways of adequate technical assistance. These in addition to the daily problems of management are meeting with tacit and active hindrance and opposition.

The time has come when this must be stopped. We could run this business successfully ourselves. We have been in the transportation business for generations and our numerous South American houses and we have been working actively over the aviation business for years. We have competent, in fact, highly expert aviation men in the employ of W. R. Grace & Co. We could manage the Panagra company far more safely and far more profitably than it is being managed at present.

We do not ask that you should permit us to run the business. We feel that Panair and W. R. Grace & Co. should cooperate in its management.

GR-1748

G1754

[fol. 403] We, after years of patient effort, my associates have now definitely decided that Mr. Trippe will not in good faith cooperate with us. I feel, therefore, that if Panagra is to return to successful operation, Mr. Trippe must be retired from the Panagra Board and someone named in his place who will have authority from your Board to act independently of Mr. Trippe and who will be instructed to act in the interest of Panagra. That man should begin by going over our line and should try to gain an intimate knowledge of it. Mr. Trippe has never even been over the line, nor has his senior technical man notwithstanding our constant effort to get them to look at the business. Instead of his being a partner and daily helper and cooperator in making the business a success, we have at no time received any bonafide cooperation from him. Furthermore he has while sitting on the Board of Panagra been guilty, in our opinion, of the most surprising acts of disloyalty to the company's interest.

Mr. Trippe has frequently contended that in the same way that he had a 100% interest in Panair and only a 50% interest in Panagra, we had a 100% interest in the Grace Line which was a competitor of Panagra. It will be obvious to you that we could not with delicacy allow any of our Panagra directors, in their decisions to take into consideration a conflicting interest that we may have in the Grace Line. I have myself from the time that Panagra was founded seen to it that this should be avoided and I

know of no instance where there has been the least breach of this attitude. On the contrary sacrifices have been constantly made to assure a mutually helpful attitude. The Grace Line is about to enter the Caribbean trade in an important way following our purchase of the Red D Line service to Puerto Rico and Venezuela and will on January 7th initiate a rapid and modern service to Colombian and

GR-1749 G1755
[fol. 404] Venezuelan and other Caribbean ports. Here again I am anxious that our steamship services should cooperate with the air services and avoid conflict with them, provided some plan for real cooperation can be reached.

Panagra's contracts with our Government will shortly expire and it is therefore urgent in my opinion that you should consider immediate and decisive action on my suggestion.

It might be advisable that you should name a committee of say 3 of your directors to meet with 3 of ours in order that detailed facts may be put before them and endeavor to reach a solution of this grave impasse. I feel that Mr. Trippe should not be a member of that Committee as discussions would be endless and nothing would be accomplished. I would prefer not to take part in the discussions either as I feel rather too strongly on the subject. It is distressing for me to have to write in this way but on the one hand Mr. Trippe has completely exhausted our patience and endurance and on the other hand W. R. Grace & Co. must during the first two weeks in January lay out its plans for the coming year. Mr. Roig and Mr. Garni will be at your disposal, along with any other of our directors, at any time that you may send for them.

GR-1750

G1756

[fol. 405]

Draft No. 2

C. V. Whitney, Esq.,
 Chairman of the Board,
 Pan American Airways, Inc.,
 New York City.

Dear Mr. Whitney:

In representation of my firm as owner of half of the shares of the Pan American Grace Airways, Inc. I write to you as the representative of the owner of the other half.

I have once or twice appealed to you to intervene in settling problems connected with this enterprise and you have in each case responded in a very kindly way and with effectiveness.

* Now a situation has arisen which has been accumulating for some time and which has now become so grave as to require some radical action for its remedy. I must ask again for your cooperation and assistance.

I refer to the fact that the business has reached a size and is confronted with problems which call for a radical change in our management setup if it is to continue to be a success. I mean by this not only a management stronger than the present one in its authority but a management which is free to function in a manner dictated solely by what is in the best interests of Pan American Grace Airways. This latter point is of outstanding importance.

..... years ago in the last conversation which I had with Mr. Trippe, he stated that where there was a possible conflict between the interests of Pan American and Panagra, he felt that he had a right and in fact it was his duty to favor his 100% interest as against his 50% interest. His adherence to this policy has been constantly apparent in many different situations which have arisen since that time.

1. He has consistently opposed giving a one day direct service between Miami and Cristobal which would

enable Panagra to improve its schedules between the United States and the countries which its line serves.

GR-1743:

G1749

[fol. 406] He has preferred to give a better service to Barranquilla than to Cristobal which suits the interests of Scadta, as frankly stated in Scadta's last annual report, and holds back the naturally faster West Coast route to Buenos Aires and keeps it more nearly in pace with the slower East Coast route. Only after the greatest pressure from us and the Post Office has he finally been induced to run one trip per week direct to Cristobal.

2. He has long opposed normal Panagra development in the Argentine and only finally agreed to diversion of the line to Cordoba and later to the extension through the Argentine via Salta to La Paz on conditions coupled with outrageous demands for money payment to Pan American. Although Panagra's business and interests in the Argentine are much larger than Panair's and Panagra pays two-thirds of the expenses of the Buenos Aires office, he insists on Panair's retaining control of that office.
3. Panagra's publicity in the United States which is handled by Pan American and for which Panagra pays a substantial amount annually is almost invariably in a form which favors Pan American at the expense of Panagra whenever there is any conflict of interest involved.
4. He has made full cooperation of Pan American's engineering department, for which Panagra also pays a substantial amount annually, subject to conditions from time to time which it has not been reasonable that Panagra should comply with, with the result that the engineering assistance paid for has not been furnished.
5. In Colombia where Panagra's interests are in conflict with Umea and Scadta, he has long opposed and is

GR-1744.

G1750

[fol. 407] now opposing the normal development of Panagra's route to an overland route which would be faster and more economical and would enable the company to improve its revenue by serving the large available Colombian traffic.

These and other instances which might be mentioned serve to indicate the manner in which his policy has for several years and is now definitely standing in the way of Panagra's reasonable and normal progress and development. In view of all this and with the company's earnings at low ebb in 1937 and a loss confronting us for 1938 unless prompt action is taken, I feel that the time has come where this intolerable situation must be remedied.

I feel that the most expeditious and practical solution is to put responsibility for the conduct of the business in our hands, placing one of the Grace directors in the Presidency of the company with ample authority, and having it definitely understood that when questions arise on which there is any conflict of interest between the two companies, the Pan American directors are to be disqualified from acting and the action of a majority of the other directors is to be decisive. I feel that only in this way can we secure the prompt decision of questions which cannot continue to be deferred for long periods by endless discussions and that only in this way can we be assured of questions involving conflict of interest between the two companies being decided solely from the standpoint of Panagra's best interests.

The Grace organization (with the cooperation of several of Pan American's departments which could be of great assistance if made free to cooperate fully) is abundantly able to assume this responsibility. We have been successfully engaged in the transportation business for generations. Not only in New York but all along the Panagra
GR-1745

[fol. 408] route in South America our organization has been working actively in the aviation business for the past eight years. We have competent, in fact, highly expert

aviation men in our employ. We could manage the business effectively and profitably.

In order to bring this vitally important matter to prompt decision, I suggest that you name a committee of yourself and another Pan American director to meet with Mr. Garni and Mr. Roig, directors of W. R. Grace & Co. and of Panagra, to go over the whole situation in detail and agree upon a plan of action along the above lines. I feel that Mr. Trippe should not be a member of this committee as that would lead to endless and fruitless discussion. I also would prefer not to take part in the discussions as I feel rather too strongly on the subject. Mr. Roig and Mr. Garni along with any other of our directors will be at your disposal at any time that you may send for them.

Sincerely yours,

GR-1746

G1752

[fol. 409]

SUGGESTED PLAN FOR REORGANIZATION OF PAN AMERICAN-GRACE AIRWAYS, INC.

Pan American-Grace Airways, Inc., while a corporate entity, does not operate as such for the following reasons:

1. The General Manager is now allowed to function as is customary in corporations that do not have active Presidents.
2. It is not possible, under the present procedure, for officers of the company to communicate directly with each other by code due to the fact that the company has no code of its own and all code messages are sent through W. R. Grace & Co., which does not permit the use of its code by Pan American-Grace employees.
3. Correspondence from the New York office of Pan American-Grace to the field operation of the company is nearly always directed to W. R. Grace Agents and, therefore, cannot reach the company personnel without first passing through the hands of a third party.
4. Accounting at Lima and the Canal Zone is directly under W. R. Grace as at neither of these points does

Pan American-Grace have its own employee in charge, although the clerks are on the payroll of the company.

5. The system is divided into three divisions which are in charge of pilots who are on regular runs though not with the same frequency as the ordinary pilots, but which necessitates their absence from division headquarters at very regular intervals. Because of this distribution of operating authority without sufficient company personnel to actually handle these operating units the custom has grown up in the company to rely on senior officials of W. R. Grace, who maintain extensive offices where all division headquarters are located.

In order to make Pan American-Grace an operating corporate entity as it is generally understood, it will be necessary to

(a) Give the General Manager, in the absence of a President, full authority to operate the company, making periodic reports to the Board of Directors, as is customary, in addition to which he could report at more frequent intervals to an Executive Committee, which Committee would have such powers as the Board saw fit to grant it.

(b) Provide a company code, or at least allow the
GR-1741 G1747

[fol. 410] company to use a code that would be available to such personnel as the General Manager saw fit to designate, with all messages being sent on company business directly to company personnel.

(c) Routine correspondence to be directed to and received by company personnel in the ordinary manner.

(d) Accounting to be reorganized in such a manner as to make available to field executives monthly full financial operating results at the earliest possible moment. In order to do this it is recommended that the operations accounts for the system be concentrated at Lima, with reports to be sent to the New York

office where they can be consolidated with expenses incurred in the United States, on which the field organization has no interest in or authority over. Inasmuch as W. R. Grace acts as Agents for the company, and as such at many places handle the finances of the company, they probably could undertake the field accounting quite readily, but wherever they do such work the Company should not have accounting employees.

(c) Consolidate the system into one operating division, establishing sections, if necessary, with local authority over the sections vested in ground personnel.

To accomplish the above recommended reforms the Board of Directors should approve an organization chart for the guidance of the General Manager, an example of which is attached, together with an outline of how the organization would function if the chart is followed.

GR-1742

G1748

[fol. 411]

GOVERNMENT'S EXHIBIT 177

January 7, 1938.

C. V. Whitney, Esquire,
230 Park Avenue,
New York City.

Dear Mr. Whitney,

I have been here for a few days and am sorry not to have had the pleasure of seeing you.

I find on careful study that the methods of active obstruction and of passive procrastination which have been employed over a period of years have now brought about a situation in Pan American-Grace Airways which is even more serious than I thought it, when I spoke to you by telephone.

I see no remedy for the situation except that you should agree to the naming of one of our men as President of the Company and our assuming the responsibility for the

management and for the success of this enterprise. I feel that we are now equipped with men and ~~with~~ experience to assume this responsibility, but I would not agree to doing so unless I could have your assurance that your representatives on the Board of Pan American-Grace Airways would work loyally and wholeheartedly in its individual interest. Furthermore, I would like to have your assurance that Pan American-Grace Airways would receive from the Technical, and Publicity Departments of the Pan American Airways an enthusiastic and effective support, which up to the present time we have not considered adequate.

G031810

GR-7358

12 14/54 ab

178

[fol. 412]. I would be very grateful to you if you would send for Messrs. Roig and Garni and receive from them the detailed facts that support the conclusions which I have reached.

I feel confident that after doing so you will agree to and will support these conclusions.

I have learned with regret from Messrs. Roig and Garni that Mr. Trippe has complained that my having approached you as I have was unethical on my part. I am sure you do not share this view. It seems to me most logical and legitimate that you and I, as heads of the two owning concerns, should confer and confer frankly as to the welfare of the jointly owned concern. It is superfluous to say that it is farthest from my mind or my desire to do an injury to any individual. My interest is solely the welfare of this Company and to establish and develop a spirit of friendly and helpful cooperation between our respective companies.

I am, with kind regards,

Sincerely yours,

(Sgd) D. S. IGLEHART

GR-7359

G031811

179

[fol. 413]

GOVERNMENT'S EXHIBIT 178

(Mr. Cogswell)

(Mr. Parchin) (Copy)

No. 9

(April 11, 1938)

(pl. return)

(AG)

Lima, Peru
April 6, 1938Mr. A. Garni,
W. R. Grace & Co.,
New York

Dear Garni,

I have been looking into the schedule performance out of Cristobal since the December 15th schedule went into effect.

The figures, which I think you will find interesting, are as follows:—

“PANAGRA DELAYED DEPARTURES
FROM CRISTOBAL

“December 15, 1937—April 3, 1938

Miami/Cristobal direct Via Barranquilla

Total trips	16	16
Delayed trips	3	12
Delayed trips due PAA and/or P.O.	1	10
Delayed trips due Panagra	2	2
Delayed trips resulting overnight off schedule	2	8

(G049095)

As you will see from the above there have been 32 trips out of Cristobal since the new schedule went into effect, sixteen connecting with Panair's one day Miami/Cristobal run and a like number connecting with the run via Barranquilla. On Panagra's sixteen trips connecting with Pan

air's delay trip, its departure was delayed only once due to Panair and/or the Post Office. On this one trip we were delayed 4.15 hours from our scheduled departure time of 9:30 and as a result we had to overnight at Buenaventura.

1-7-55 (GR-898)

GR-898

On two of the other trips we were 1.30 hours late in getting off due to reasons of our own. I think the performance on the one day schedule with only one serious delay, can be regarded as just about 100%.

On the other schedule via Barranquilla the picture is very different. Out of sixteen trips on that schedule, we were delayed in taking off from Cristobal on twelve trips of 5.00 or over. 60% of the total trips were due to Panair and/or Post Office delays. On one of these ten trips it is true that after being delayed 4.25 hours due to Panair and/or the Post Office we had to put back to Cristobal for reasons of our own, but, as we could not have gone to Buenaventura in any case, I include this trip in the Panair and/or Post Office delays. These delays ranged the way from five trips where we were 1.00 to 1.45 hours late in starting, three where the delay was 3.00 hours, 4.25 hours and two trips a whole day late.

These delays resulted, in a considerable number of the cases, in our being forced to make off-schedule overnight stops which cost us a great deal of money to say nothing of the effect on our record for schedule maintenance.

(6049096)

Unfortunately I cannot tell from the statistics available in Lima how many of these delays resulted from Panair's failure to reach Cristobal on time and how many resulted from delays by the Post Office in working the mail. I am getting this information and will advise you in due course, but I think the records will show that a good many of the delays were on account of late arrival by Panair. The result, as we are concerned is the same in either case.

1-7-55 (GR-898)

[fol. 415] case. You appreciate, of course, that Panair's DC-3 which comes to Cristobal on the trip via Barranquilla is the La Guaira plane which overnights at Barranquilla. On time arrival at Cristobal by Panair on the indirect trip is therefore contingent on possible delays between any one or more of three sections, namely, Miami-Cristobal, La Guaira-Barranquilla and Barranquilla-Cristobal. This puts a good many contingencies on this trip between Panagra and Miami.

The figures seem to show pretty clearly that the direct Miami-Cristobal schedule is far preferable from the standpoint of dependability and schedule maintenance.

Yours sincerely,

HAROLD J. ROIG (signature)

G049097

1-7-55 np
GR-8981

[fol. 416]

GOVERNMENT'S EXHIBIT 179

PAN AMERICAN AIRWAYS, INC.

New York City

COPY

Cristobal, Canal Zone
April 12, 1938

Mr. H. R. Harris,
Vice President
Pan American-Grace Airways
Lima, Peru.

Dear Sir:

In answer to your letter of April 8, regarding arrivals of our planes from Barranquilla on Wednesday and departure of your plane southbound on the same day, we are

attaching hereto this information which we hope is that which you desired.

Yours very truly,

PAN AMERICAN AIRWAYS, INC.

Signed: T. B. RODENBAUGH
Section Superintendent

Attachment
cc Northern Div. Supt. - CRI
Operations Manager - BRO.
GR-8986

G049077

[fol. 417]

No. 21

Lima, Peru

April 21, 1938

(April 25, 1938)

Mr. A. Garni,
W. R. Grace & Co.,
NEW YORK

Dear Garni,

(probably means = 9)

Referring to my letter = 19, page 2, last paragraph

I now enclose letter from Rodenbaugh, Pan American's Section Superintendent at Cristobal, showing exact time lost by Panagra in Cristobal on the trips via Barranquilla since December 1st, last year.

Panair is scheduled to arrive at Cristobal on these trips at 8:00 AM. You will note that they have been on time just once out of nineteen trips. A number of the delays have, it is true, been inconsequential but you will note that the number of trips where they have arrived more than twenty minutes or a half hour late, which is not inconsequential, is very considerable. In a general way the figures appear to show that our delayed departures have been due to Panair's late arrivals rather than to time consumed in working the mail. There are, however, some exceptions where the time consumed in working the mail seems ex

cessive. Note, for example, the three hours and ten minutes on the one trip where Panair arrived on the dot.)

I think it better in any discussions you may be having on this subject not to disclose the source of our information.

Yours sincerely,

6049076

HAROLD ROSE (signature)

enclosure

P. S. My #14 mailed a week ago got in some mix-up and yesterday was returned to Lima. I am mailing it again today.

1-7-55 np

GR-8985

[fol. 418]

Date	P.A.A. Arrival	Panagía Dept.	Time in Port
12-1-37	0822 (1)	1105	2:43
12-8-37	1008	1225	2:17
12-15-37	0824	1030	2:06
12-22-37	0810	1035	2:25
12-29-37	1004 (2)	1200	1:56
1-5-38	0822	1030	2:08
1-12-38	0802	1010	2:08
1-19-38	1146 (3)	1355	2:09
1-26-38	0832	1035	2:03
2-2-38	1746 (4)	0600 2-3-38	
2-9-38	1015	1239	2:23
2-16-38	0826	1105	2:39
2-23-38	0800	1110 (668M)	3:10
3-2-38	0813 (5)	1320 (668M)	5:07
3-9-38	1115 (6)	0615 (668M) 3-10-38	
3-16-38	0813	1033	2:20
3-23-38	0810	0941	1:31
3-30-38	0803 (7)	0630 3-31-38	
4-6-38	0805	1053	2:48

(1) Last arrival S-42 from Barranquilla.

(2) Western Division DC-3 overnigheted Maracabo instead of Barranquilla.

- (3) Southbound Miami plane overnigheted Cienfuegos, Cuba, instead of Barranquilla
- (4) Westbound DC-3 overnigheted Coro, Venezuela, instead Barranquilla, Colombia. Arrived Cristobal too late for Panagra departure same day.
- (5) Panagra NC 66SM overnigheted Buenaventura March 1 and, flew Buenaventura Cristobal early morning March 2, returned Cristobal early afternoon.
- (6) Panagra NC 66SM unable clear Cristobal before dead line March 2.
- (7) Panagra NC 4628 delayed Cristobal account engine trouble, departed 3:34 PM

GR-8987

G049078

[fol. 419]

GOVERNMENT'S EXHIBIT 180

Air Mail 4.29
Lima 5.2

No. 25

(HJR Trip Series)

W. K. GRACE & CO.

7 HANOVER SQUARE, NEW YORK

A. GARNI

FIRST VICE PRESIDENT

NEW YORK, April 29, 1938

Harold J. Roig, Esq.,

LIMA, Peru.

Dear Roig:

Your No. 24:

I had a fairly long talk with George Ruhl yesterday afternoon just about the time I received this letter.

I think we all agree with the views expressed by you and as far as I am concerned I think I would carry out your suggestion; irrespective of whether or not we succeed in

the efforts we are again making to have a definite realignment of the management set-up of Panagra.

I have discussed your letter with George and he not only concurs with the views expressed by you but added that he formed this same opinion when he was last in Lima.

The object of my "tete-a-tete" with George was to reopen the discussion I had with Juan in Washington just before you left regarding the management of Panagra. I started off by acquainting George with what I had so far discussed with Juan, telling him that I intended to continue the conversation until we reach an agreement one way or another but that for various reasons it has been impossible to get hold of Juan.

It would be impossible to recite the many points I brought up in my talk with George, with most of which you are familiar anyhow. While I went somewhat into the back history I did concentrate on two major recent incidents GR-2001 11-4-54 PJS

G016980

[fol. 420] with which neither you nor George were familiar. I told him that when, some two weeks ago, Juan pressed us about five o'clock one afternoon to agree to the general outline of an agreement with Lufthansa, we felt strongly that before opening serious pourparlers the matter should be discussed with the Washington officials, going on to say that Juan registered very definite objections to this but that we insisted in our views as we felt that the most important partner should at least be talked to before we enter into an agreement which might ultimately have far-reaching consequences.

Juan finally sent word that he thought it was a mistake but that if we insisted upon doing it he could not insist in his objections.

All this happened on a Friday and Patchin and I went down the following Tuesday evening, discussing the matter with Harlee Branch, Grayson, and at Branch's suggestion Patchin also discussed the matter with Judge Moore of the Interdepartmental Committee on Aviation, all of which you know from my letter No. 21.

Branch asked me whether Juan knew of my visit and the purpose thereof, and when I answered in the affirmative he said, "Well, Juan has beaten you to it as he came down yesterday and talked to me about this same matter."

Patchin's experience with Judge Moore was similar as Juan had also discussed the Lufthansa negotiations with him.

I told George that this is not the way we do business GR-2002.

G016981

[fol. 421] with any of our partners and that this was just one of many incidents tending to undermine our confidence.

I also spoke to George about another matter in which Juan does not appear to have acted strictly according to Hoyle. You will recall that when some four weeks ago the Post Office Department suddenly decided to advertise the foreign routes coincident with the intention we then had to send in that letter the draft of which you prepared, giving reasons for suspending the 20c cut, we temporarily abandoned the idea of making that presentation. However, as the idea of advertising those foreign routes has been temporarily dropped I revived the idea of presenting that letter, and after having made two or three changes to take care of some of Juan's objections I sent a clean draft to MacGregor, asking him to get Juan's approval. An answer came back that the Post Office Department has no available funds and that this is a very inopportune time to start a discussion along those lines.

The following day I learned that Juan is very active trying to get additional subsidy on one of his routes, which is in direct contradiction with the excuse he gave for not sending in that letter.

I outlined all this to George, asking him how, under the circumstances, we could have the confidence we ought to have in our partner. I talked about the handling of our affairs in the Argentine and a good many other things and wound up by saying that we now make a definite request

that the management of Panagra be turned over to us and
GR-2003

G016982

[fol. 422] that I looked to him to take the matter up with
Juan.

George made a suggestion of airing all this with the
Executive Committee of Panair but I told him I did not
think well of this.

At the end of the conversation George asked whether I
felt that a realignment of the management duties such as
we had in mind would affect Panair's fees. I told him that
we had given this no thought and that I assumed Panair
would continue rendering the same service they are now
rendering to Panagra and that I did not therefore see why
there should be any material change in the fee arrangement.
I did say, however, that if we were to take over the manage-
ment, liquidate the uptown office and generally rearrange
the staff necessary to control and supervise Panagra's func-
tions, our own direct expense account would probably be
somewhat higher, but that this is a matter on which we
could no doubt reach an agreement.

The upshot of the conversation with George was that he
will have a serious talk with Juan and then get in touch with
me again.

There are a number of other matters I would like to write
to you about but doubt that I can do so by today's air mail.

Hoping that you are well, I am

Yours sincerely,

(signed) A GARNI

GR-2004

G016983

[fol. 423]

GOVERNMENT'S EXHIBIT 181

September 12, 1938

The discussion regarding New Orleans at Thursday's meeting brought out very graphically the real root of the difficulty between us.

Panagra maintained that the importance of its 6,000 mile international line warranted its seeking an American terminus and that this represented the next step in its natural development and was essential to its permanent security.

Pan American's answer in effect was that Panagra having begun ten years ago as a line terminating at Cristobal should never aspire to anything more and that Panagra should not even consider any development however otherwise normal or proper which might in any way or to any extent prejudice the interests of Panair. It was noteworthy throughout Thursday's discussion that on the New Orleans question none of the Pan American directors made any remarks or suggestions of any kind which would give the slightest indication that they had considered or were prepared to consider to any extent the position and welfare of Panagra as a separate entity in this matter, or to weigh the equities of its position against those of Panair. Their sole consideration was the possible adverse effect of the New Orleans development on Panair and they showed no concern or interest in the possible beneficial effects of this development for Panagra. Their only concession to Panagra's welfare was to promise *at this late date* that Panair would *in the future* give Panagra a satisfactory service to Cristobal, a thing which Panair should have been doing for years, and which up to now they have consistently failed to do in spite of repeated pressure from us for such service.

We cannot accept the theory that Panagra is not entitled to normal development and we are not impressed with Pan

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[fol. 424] air's promise only at long last after all these years

and only under all this pressure to give us an adequate connecting service at Cristobal.

The theory that Panagra must never expand or develop beyond its original route is not a new one. We have been battling against this theory of our partners for many years.

1. Our route as originally laid out did not include Bolivia, that being the only South America West Coast country not provided with airmail service. From early in our history we began pressing the idea of a Bolivian extension. We received no encouragement from our partners. Finally, some two or three years ago, a point was reached where an opportunity presented to extend to Bolivia and receive a subsidy from the Bolivian Government for so doing. Prompt action was necessary to secure this subsidy and prevent its going to a German company. Our partners' consent could not be secured, with the result that it was necessary for W. R. Grace & Co. actually to enter into an agreement in its own name to operate the La Paz/Arica service. Having secured this contract with its corresponding Bolivian subsidy equal to \$1,200 per month, we offered it to Panagra without any compensation to ourselves for securing the concession or even for our expenses. In due course our partners acquiesced in Panagra's accepting the contract and the line has been successfully operated as a part of Panagra's route ever since.

2. When our line between Santiago and Buenos Aires was originally laid out it followed a practically straight line between these points. There was little way to way business between these points. A few years ago with the additional speed and payload provided by the DC2s it was felt that we could advantageously divert the line about 80 miles so as to pass through Cordoba, a city of about 250,000, and thereby improve our way to way traffic. This seemed like a perfectly natural and very simple development and we

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[fol. 425] anticipated no difficulty in securing our partners' approval to so obvious a step. In this, however, we were disappointed. When we suggested this development we were told that the Argentine was Pan American territory

except on the straight line Mendoza Buenos Aires and that they could not agree to our going through Cordoba unless we compensated them for some part of the purchase price of Nyrba. At the time Panair purchased Nyrba, the latter operated a line from Buenos Aires through Cordoba to Salta; Panair after the purchase promptly discontinued this service and never operated it thereafter. We were told, however, as we are now with respect to New Orleans, that they were planning to operate through Cordoba Salta and that if we went to Cordoba we would take the most attractive part of this traffic. We did not deny that the Argentine was Pan American territory—of that there was no question under our East Coast West Coast understanding. We did contend, however, that since our partner was not operating to Cordoba or Salta and to the best of our belief had no real intention of doing so, and since as things had developed the logical and effective way to serve Cordoba and Salta was for Panagra to run this service, that our partners should not block it by a dog in the manger attitude. To make a long story short, our partners finally agreed to permitting Panagra to take in Cordoba upon the understanding, however, that if we should later extend to Salta we would compensate Panair in some reasonable amount based on the proportion of the purchase price of Nyrba which corresponded to the Buenos Aires Salta service, and thus, after a long struggle and on this basis, the second development of Panagra's route was made.

3. Sometime later it became apparent that in order to anticipate German competition, strengthen position in the Argentine and Bolivia and to provide an alternate Panagra GR-9011

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[fol. 426] route to Buenos Aires to that through Chile, we should run a line from Cordoba north through Tucuman and Salta to La Paz in Bolivia and thence connecting with the main line at Arequipa. After the usual struggle our partners' consent to this was obtained leaving the amount to be paid them for later determination and without their assistance we secured U.S. mail subsidy over this diagonal route between Cordoba and Arequipa. Our idea was always that the payment to Panair should be nominal. They originally

mentioned a figure which while not nominal might at least have been a basis for discussion but they soon ran this up to an exorbitant and wholly unreasonable amount. Our idea that the payment should be nominal was based on the fact that Panair had paid nothing to Nyrba for the Cordoba-Salta service and had never operated the service and had no real intention of doing so. There was no way that this line could be hooked up with Pan American's East Coast route. As a strictly local Pan American line in the Argentine it could never have been profitable because it could never have secured a U. S. subsidy. There was, therefore, no profitable way for Panair to operate this line. On the other hand, operated by Panagra it could be and was made a part of their international service and, therefore, could be and was subsidized by the United States and could be made a profitable service. Thus Panagra was in a logical position to develop this line and Panair, through their 50% interest in Panagra, were in position to benefit from such development of the line which otherwise could be of no possible interest to them. The statement that Panair in the purchase of Nyrba paid nothing for the Cordoba-Salta service is based on the well-known fact that the reason why Pan American purchased Nyrba was to secure a United States mail subsidy to Buenos Aires on a satisfactory basis, which would have been impossible had they had to enter competitive bidding with Nyrba for this route. They purchased Nyrba to eliminate this competition for the East Coast mail contract to B.A. The price they paid to Nyrba was based on GR-9012

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[fol. 427] this consideration and on this consideration alone and would not have been a dollar less if the Cordoba-Salta service had not been included and was not a dollar more because it was included.

4. The next question which arose in connection with Panagra's normal development was the connection with Cali. When the northern section of Panagra's line began to be operated with S-43s in place of S-38s, it became feasible to divert the overwater line down the West Coast, inland to take in Cali on the Panagra route. Cali is the principal commercial city of western Colombia; there is no question

that it is on the western side of South America and therefore within Panagra's territory and it is obviously a point which should be served by Panagra. In opposition to the Cali development, Mr. Trippe brought up the whole question which was discussed at Thursday's meeting regarding original Colombian situation.

Our view regarding this is as follows:

When the East and West Coast lines to South America were originally established, it was necessary to have operating and landing rights on both coasts of Colombia. Pan American sent their Mr. Wilcox to Colombia as joint representative of the two companies to arrange this for both companies and Panagra contributed \$20,000 toward the expense of this mission. When the job was finished, we had the right to fly over water down the West Coast of Colombia touching at Buenaventura and Tumaco, but no right to fly inland and Pan American, as we then understood it, had the right to fly over water down the East Coast calling at Barranquilla. We were not told directly or indirectly, nor was it in any way even remotely intimated to us, that Panair had in the course of the same negotiations purchased for their own account a large interest in Seadta, which at that time they considered a very fine investment, nor were we given any opportunity to participate in that purchase. Mr. GR-9013

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[fol. 428] Trippe's statement at Thursday's meeting that the matter was so confidential that it could not be intelligently recorded in Pan American's minutes and that the directors present at the meeting when it was discussed were warned not to mention the matter outside of the board room, makes it perfectly apparent that there was no intention that we should know anything about this transaction, much less be consulted regarding it or offered a participation in it. The first knowledge that we had that Panair had an interest in Seadta was long afterwards when the item appeared in their balance sheet and we did not know what this interest was until the facts appeared in the Black Committee report. The first time we were offered any participation in the venture was in a discussion between Mr. Trippe and

Mr. Roig in London some three years or so ago when the Cali diversion was under discussion. By that time, and increasingly since, it was apparent that the Seadta investment was attended with many headaches and was not the attractive investment it was originally thought to be.

5. After our partners had reluctantly consented to our diverting our line to Cali, Grace arranged the necessary permit with the Colombian Government and with the United States Post Office. The line was operated for some months when, for technical operating reasons, it was decided to discontinue it temporarily. With the advent of De3s about two years ago, it became practical to operate overland across Colombia and resume the Cali service on this route. Overland operation obviously involved many advantages to Panagra, but our suggestion of this change in the route met again with vigorous opposition from our partners. This opposition again was for months based on no consideration except possible injury to Seadta (although at the last minute other objections were raised also) and was coupled with renewed pressure that we purchase an interest in Seadta, which we declined to do. Protracted discussions ensued on GR-9014

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[fol. 429] the question as to whether the line should be permitted to call at Medellin, based on whether this was to be considered on the East Coast or West Coast of South America. We were never able to reach an agreement on this point and were finally able to start the Colombian overland route only on the basis of omitting (without prejudice to the above question) the call at Medellin, and making Cali our only stop in Colombia. Pan American's directors refrained from voting on the Panagra resolution authorizing this change of route. Grace had to do most of the work in making the surveys, negotiating the change of route with the Colombian Government and arranging the matter with the United States Post Office.

6. For years Panagra has been struggling for adequate connecting service between Miami and Cristobal. For several years it had been apparent that a direct one-day service between Miami and Cristobal was practicable. It had also

become obvious, and was not disputed at Thursday's meeting, that such a connecting service was necessary to Panagra's welfare. Panair resisted this on every conceivable ground and only beginning December 1, 1937, under the combined pressure of ourselves and the United States Post Office, did they finally agree to running one service a week direct one-day Miami/Cristobal. Experience since then has shown that this service is entirely feasible and gives a far superior connection to the service by way of Barranquilla, which is the only connection with Panagra they still provide on one of our two weekly trips. In arriving at any complete understanding of Panair's reasons for so long resisting a reasonable Cristobal connection it is impossible to ignore the following translated extracts from Scadta's Annual Report for the year 1936:

"The transportation of air mail on the international lines which leave Barranquilla and Buenaventura for all countries of North and South America, has been
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[fol. 430] speeded up by the new schedule of Pan American Airways, Inc., in accordance with which flights between Miami and Barranquilla are made in one day by daylight. In this way an airmail letter is carried in less than 24 hours from New York to Barranquilla, and vice versa, and in a day and a half between New York and Bogota. This new development in the transportation of international air mail has resulted in a considerable increase in the volume of air mail carried by both companies.

We are happy to acknowledge the full spirit of co-operation shown at all times by the high officials of Pan American Airways, Inc., with reference to establishing and maintaining the most effective international connections between Colombia and other countries. To this acknowledgment must be added the fact that the services mentioned are being rendered with great efficiency and that Colombia can well be proud, not only of having the best local air service in South America, but also the most efficient international connections."

It thus appears that every development of Panagra's route has been made at the instigation of the Grace directors and under great pressure from them and has had to encounter the vigorous opposition of our partners. Pan American, which has been conspicuously aggressive in developing their own lines, has been conspicuously reactionary in endeavoring to prevent Panagra from having any development at all. On every question which has arisen the predominant thought in their minds has been possible prejudice to Panair no matter how slight or how remote and at no time has there been any disposition to consider the rightful progress of Panagra or even fairly to weigh the relative equities of Panagra in any particular situation against those of Panair. Through the Scadta situation at the northern end of the line and the purely artificial and unnatural control of the Buenos Aires office at the southern end of the line, Panair has been in a position to follow a continuous obstructionist policy with regard to Panagra's development and has followed this policy on all occasions. Their position regarding New Orleans is no different than it always has been regarding every other development of Panagra's route.

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[fol. 431]

GOVERNMENT'S EXHIBIT 182

EXECUTIVE COMMITTEE

SEPTEMBER 8, 1938.

"The meeting thereupon considered a conference which had been held with officials of W. R. Grace & Co."

EXECUTIVE COMMITTEE

SEPTEMBER 20, 1938.

"The meeting considered the following:

- (c) Series of conferences with W. R. Grace & Co., including their proposal relating to extension of Pan American-Grace Airways, Inc. beyond its territory to New Orleans, the request that the management of Pan American-Grace Airways, Inc. be transferred to W. R. Grace & Co. and the offer of that Company to supply additional capital for the suggested extension thereby assuming voting control of the Company."

EXECUTIVE COMMITTEE

OCTOBER 4, 1938.

"Mr. Trippe reported to the meeting on the following:

- (c) Further conferences with officials of W. R. Grace & Co."

BOARD OF DIRECTORS

DECEMBER 28, 1938.

"Mr. Trippe reported to the meeting on the status of negotiations with W. R. Grace & Co. It was the sense of the meeting that it would not be in the interest of our stockholders for our directors to authorize an application by Pan American-Grace Airways, Inc. to extend north of Cristobal in competition with Pan American Airways, Inc."

[fol. 432]

GOVERNMENT'S EXHIBIT 183

PAA PAN AMERICAN AIRWAYS SYSTEM
 GENERAL OFFICES—CHRYSLER BUILDING—
 NEW YORK CITY

OFFICE OF THE
 PRESIDENT

file

Rec 9/26

September 24

1 9 3 8

Mr. Adolf Garmi
 W. R. Grace & Company
 7 Hanover Square
 New York, N. Y.

Dear Adolf:

The storm raging Wednesday during our conference that morning and at luncheon struck my home at East Hampton that afternoon. Fortunately the children and the members of my household escaped, but the house was pretty badly wrecked. Thursday and most of yesterday I was tied up with personal problems at East Hampton, and so was unable to get on to the Pan American Grace question with all our people until this morning.

Your office reports that you are out of town today. Inasmuch as I expect to be tied up with Mr. Noble and the members of the C. A. A. safety board on Monday and possibly Tuesday morning, I want to take this opportunity to let you know that our Executive Committee does not feel that the figure you mentioned of \$1,250,000 for our interest in Pan American Grace is at all satisfactory.

Inasmuch as you stated this would be Grace and Company's maximum offer there appears to be no solution of our difficulties in this direction, and no useful purpose would be served by further negotiations on the part of the sub-committee appointed by our respective Directors relat-

ing to selling you our airline interests in the territory under discussion. In other words, we are both still confronted with the problem arising out of Mr. Iglehart's suggestion that Pan American-Grace be extended to New Orleans and the management of our joint company be taken over by Grace.

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[fol. 433] The other possible solution you mentioned Wednesday of our making an offer to buy Grace's interest in Pan American-Grace is one we are not enthusiastic about. For one thing, Pan American is confronted with a substantial new equipment program which complicates the question of taking on further capital commitments at this particular time.

Nevertheless, our Executive Committee, as you suggested, has considered the question of making you an offer for your interest in Pan American-Grace. Pan American would be willing to pay you a figure substantially in excess of the amount you have offered us for our half-interest in the company. If your board would like to have us submit a definite figure with a view to purchasing your interest, we would be glad to do so.

I do hope that you find your house at Montauk escaped serious damage from the hurricane. Mine was pretty badly messed up.

Sincerely,

(signed) JUAN

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[fol. 437]

GOVERNMENT'S EXHIBIT 185

W. R. GRACE & CO.
7 HANOVER SQUARE, NEW YORK

OFFICE OF THE PRESIDENT

November 15, 1938

C. V. Whitney, Esq.,
230 Park Avenue
New York City

Dear Mr. Whitney:

Since meeting with your Executive Committee we have continued to seek a solution of our common problem.

We have considered various alternatives to the route previously discussed with you in an effort to work out a plan in harmony with your ideas. Mr. Reig and Mr. Douglas Campbell have made a trip to Mexico and Central America in connection with the suggestion of your Committee that a solution of the matter might lie in our purchasing your properties there as well as your half of Panagra.

Regarding the right of Panagra to come through to an American terminal, I have given a great deal of thought to your indication that ethically we were not entitled to do so. I have weighed this question from every standpoint and have taken independent advice and counsel to be sure that we were taking no action which could give any just cause for criticism on this score. I have reached the conclusion, and those whom I have consulted are without exception of the same view, that Panagra is not only ethically entitled to come to an American terminal but that its duty in the public interest is to do so.

I am particularly anxious to guide our action in the friendliest possible course and in that spirit we have worked

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[fol. 438] out a new plan for bringing Panagra to a United States terminal and greatly improving the present schedule. We are prepared, if need be, to protect Panagra's position by going ahead with this in our own name. Before doing so, however, I would like to have an opportunity of discussing the plan with you as I believe you will see the wisdom of Panagra's undertaking it.

If you do not object, I would like to treat this whole matter with you personally. If you will obtain authority from your Board, I will do so also, so that we may then act to end this endless discussion which has doubtless been quite as unattractive to you as it has been to me.

Yours sincerely,

(signed) D. S. IGLEHART

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[fol. 439]

GOVERNMENT'S EXHIBIT 186

handwritten

November 29, 1938

Dear Sonny,

I turned over to Roig the letter that I received from you and he has handed me the attached memorandum. It might be well for you to read this carefully so that you may see clearly the other viewpoint. Your letter and this memorandum must make it evident to you, as it has to me, that there is a great divergence of view in the Board of Pan-Grace, and that there is little hope of bringing these elements together. I feel, however, encouraged to think that you and I may reach an agreement provided you can come to see that it suits your interest to give Pan-Grace its logical development under our management. I will tomor-

row put before you some facts and figures bearing on this question.

Yours sincerely,

(sgd) D. S. IGLEHART

C. V. Whitney, Esq.,
435 East 52nd Street
New York City

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11-1-54

RLA

[fol. 440]

November 29, 1938

MEMORANDUM TO MR. IGLEHART:

Mr. Whitney's letter of November 19th received Nov 23rd

The letter states

"With the approval of all concerned, however, the discussions to date have been with our Executive Committee and a committee of your Directors"

The facts are:

The discussions began between you and Mr Trippe, were continued with Pan American's Executive Committee and ended with four Panagra directors, Trippe, Rihl, Garmi and myself. The net result was a stalemate and when yours of November 15th was written it was quite in order to seek a fresh method of approach.

The letter states

"the question of Pan American selling to Grace was abandoned before the trip of Mr. Roig and Mr. Campbell to Central America"

"as you know, we were actually willing to pay you a sum considerably higher than your maximum offer to us for our half interest in the joint company."

The facts are:

Mr. Trippe's letter to Garmi of September 24th while stating that "no useful purpose would be served by further

negotiations" regarding Mexico and Central America did not definitely withdraw the suggestion. Mr. Trippe never put any price on these properties or gave us any information about them.

Despite Garni's unequivocal oral request prior to September 24th that Pan American make an offer for our half of Panagra they have never made us an offer or indicated any definite figure they would pay.

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RLA

[fol. 441] *The letter states*

"As to the right of Panagra to operate north of Cristobal, I must repeat that we are entirely unable to see how you have either a moral or a legal right to insist that this should be done."

The facts are:

The question of "legal right" has not heretofore been seriously raised. There is no legal conclusion to be drawn from the letter of August 1928 or from the territory covered by Panagra's original route that it was to be forever confined to that territory. The original route has already been modified on several occasions and normal and logical growth and development with a view to best serving the public interest is obviously Panagra's legal right and duty. Except for Panagra's undertaking not to operate on the East Coast of South America in exchange for Pan American Airways' similar undertaking with respect to the West Coast, there is no agreement or undertaking of any kind, express or implied, restricting the operations of either company or of W. R. Grace & Co.

The letter states

"It was certainly not your intention or ours that this new company was organized to compete with Pan American Airways then or at any other time for local or through traffic between the United States and Cristobal—a territory which we have always served."

The facts are:

Panagra was organized for the purpose of providing and maintaining an air service to the West Coast of South America and B.A. in the form that would at all times best serve the public interest.

But at that early date, ten years ago, there was no intention one way or the other as to Panagra's coming through to a terminus in the United States. The point was simply not present in anybody's mind any more than at that time Pan American had any intention of flying the Pacific or the Atlantic. But from this complete absence of any affirmative intention one way or another at that time, there cannot

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11-1-54 RLA

[fol. 442] ten years later he imputed a negative intention prohibiting a course which experience and new conditions now indicate to be in Panagra's interest and in the public interest.

So far as competition with Pan American is concerned, the extent and the whole extent to which that was limited is defined by the East and West Coast agreement above referred to. The objection to Panagra's coming to a U. S. terminal in the Gulf on the ground of competition with Pan American is based on the assumption that Pan American control all routes from the United States to Cristobal. This was not a fact at the time Panagra was organized and it is not a fact today. The fact that Pan American then had and now have two relatively indirect routes to Cristobal and Brownsville and Miami gives them no exclusive title or claim to a direct route to Cristobal from a Gulf port such as we have in mind.

After all the traffic to Cristobal and the West Coast of South American and B.A. which Pan American have been serving badly for years in favor of other more lucrative business is business which is entitled to be well served and which cannot be kept in a step-child position forever. Not only is it unreasonable that matters of large importance to Panagra should always be sacrificed to Pan American's

interests, no matter how slight, but it is even more unreasonable that the public interest in the best possible air service to the West Coast and B.A. should be sacrificed because of some possible small loss of business to Pan American.

As Mr. Branch stated at a hearing before the Civil Aeronautics Authority in Washington some months ago, this whole question cannot be approached from the standpoint of relative advantages to the two companies but must be approached from the standpoint of the public interest. And this, as he stated, includes not only the question of which

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[fol. 443] course will result in the best service but also the question of avoiding monopolistic control by one company of all U. S. foreign air routes. So long as both of these companies derive their main support from the U. S. Treasury the question of public interest is paramount and other questions must yield to that consideration.

The letter states

"We are, of course, interested in doing everything possible to improve Panagra's service and schedules not only in the public interest but to build up our through traffic as an end-on connecting air carrier."

The facts are:

The record unfortunately shows a primary concern in the development of routes in which Pan American has a 100% interest or an 84% interest (Scadta) and only a very secondary concern in Panagra in which they have a 50% interest.

As long ago as an article appearing in the New York World Telegram of September 5, 1934, based on an interview with Mr. Trippe, this point of view appears. After describing the performance record of Pan American, the article continues:

"This—safety and efficiency—has been their experience on the east coast of South America. The west coast routes present a different situation. There the lines

are owned 50-50 by the Grace Lines and Pan American. Because of this set-up neither side has control. Whether this has brought about a condition of less efficiency it is a fact that the major crack-ups in South America have occurred in the Andean sector."

Neither prior to that time nor at any time since had Mr. Tripp travelled over any part of Panagra's line.

Panagra has from the outset paid Pan American each year for services rendered to Panagra. These services include publicity in the United States. In spite of this, Panagra, has, except on a few isolated instances, never received adequate or appropriate publicity through this channel. On the contrary by distortion of maps and by resort to arbi-

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[fol. 444] trary charts such as those now appearing in the Pan American System timetable, persistent effort has been made to conceal the longer East Coast route and to ignore the fact that Panagra's present schedule between Miami and B.A. is 4½ days southbound as against Pan American's 6 days. The most recent illustration of the treatment accorded Panagra in this connection is in the exhibition of Pan American's latest film just now being shown to travel agencies and others to stimulate air travel to South America. No one looking at this presentation could escape the conclusion that the east coast route was the way to go to B.A. and only by close attention would one learn from this presentation that Panagra even ran to B.A. If we had not so repeatedly called these shortcomings to their attention and been assured, without result, of their correction it might be possible to regard them as unintentional.

The inadequacy of the Miami Cristobal Service in the past and today is admitted. The reason for this is to be found in the following statement in Scadta's Annual Report for the year 1936:

"We are happy to acknowledge the full spirit of cooperation shown at all times by the high officials of Pan American Airways, Inc. with reference to establishing and maintaining the most effective international con-

nections between Colombia and other countries. To this acknowledgement must be added the fact that the services mentioned are being rendered with great efficiency and that Colombia can well be proud, not only of having the best local air service in South America, but also the most efficient international connections."

While Pan American have been conspicuously aggressive in developing their own lines they have been conspicuously reluctant to permit Panagra any development at all. Every extension of Panagra's route has been undertaken at the instigation of the Grace directors and in the face of Pan American's opposition. Their present attitude is no different from the one we have had to face in every development of Panagra's route. Only with the very greatest difficulty

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[fol. 445] was Panair's acquiescence secured to Panagra's extension to Bolivia, to their making the Cali call, to the Cordoba diversion, to the Diagonal service and to the overland route through Colombia. Wherever Panagra has wished to develop, opposition has been raised on the ground that Panair had some superior rights. Bolivia is the only instance where their opposition was not based on this ground. In Colombia some interest of Scadta or Unica had always to be given preferential consideration. In the Argentine it has been a dog in the manger attitude for years. Unmitigated self-interest, and pretty unenlightened self-interest at that has guided their policy on every major question which has arisen regarding Panagra.

The letter states:

"In fact you will recall, that Pan American's proposal of last June to maintain a second direct service from Miami to the Canal Zone via Jamaica at a low rate of compensation, although acceptable to the Post Office Department insofar as Pan American was concerned, was held in abeyance by the Department until Panagra could arrange to provide an improved schedule along the west coast."

The facts are:

The proposal for a second direct service from Miami to the Canal Zone did not originate with Pan American but with the Grace directors. Pan American agreed to it only after many months of pressure from us. When last June they finally agreed to running this second direct service their agreement was not simply to make their indirect service a direct one but was conditional on various rearrangement of their services, the net result of which was an additional expense to the Post Office Department of \$90,000. But for this additional expense there would have been no question of the Post Office Department holding the service in abeyance. Not only this but Pan American did not agree to our pressing for the second direct service even on this condition until after they had rearranged certain of their other Caribbean services (unrelated to the Miami Cristobal service) on a basis involving considerable additional pay-

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[fol. 446] ments to them by the Post Office Department making acquiescence of the Department in the further expenditure involved in this second direct service more difficult.

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GR-2244

[fol. 447]

GOVERNMENT'S EXHIBIT 187

W. R. GRACE & CO.
NEW YORK

December 31, 1938

D. S. Iglehart, Esq.,
P. O. Box 1268,
Delray Beach, Florida

Dear Mr. Iglehart:

P A N A G R A

I have been thinking over some of the details which lie behind the general basis of proposed settlement and have

been wondering how far it suits to try to get some of these in the form of more specific agreement before we actually close the proposed compromise. I would be glad to have your views as to how best to approach this, having in mind that perhaps the best time to get all these details agreed upon may be while the general settlement is being concluded rather than afterwards when resistance on relatively minor points may develop.

Back of the memorandum and not referred to therein are, of course the matters of Medellin and the Argentine. Trippe indicated to me that he was prepared to discuss with us the sale of UMCA to Panagra, thus giving us an entry to Medellin. Agreement on the price, however, is not likely to be easy. In connection with the Argentine, the settlement we should have should include Pan American's release of any claim to money payment in connection with the Diagonal and satisfactory arrangement regarding the B.A. office which should include Panagra's at least taking over the management of that office if not the actual ownership of it and failing this, reorganization of the personnel of that office. Trippe has assured me of his disposition to settle these matters to my satisfaction, but nothing specific has been agreed upon.

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(fol. 448) Turning now to the particular numbered paragraphs of the settlement memorandum, the following points arise:

1. Our taking over the management should involve transfer of the Panagra personnel to 7th Hanover Square and the various changes in that personnel which we have discussed. Additionally, I would like to see Campbell given some definite status, his position and perhaps title, corresponding to that of Assistant to the President.
2. Adequate direct connecting service between Miami and Cristobal should include at least the following:

all of which except item "(a)" have been discussed with Trippe and agreed to by him:

- (a) Immediate inauguration of a second direct service with present equipment and irrespective of whether or not Pan American can secure subsidy for this extra service. Trippe promised this at a lunch last September but I have not discussed it with him recently.
- (b) Inauguration of a direct non-stop service with Boeing 307s as soon as they are available.
- (c) Working out in connection with the direct non-stop Boeing service a schedule which will make New York to Cali in one day and the schedule in connection with the direct service to be worked out to our satisfaction with the primary objective of accomplishing this purpose; The President of Panagra being authorized to handle this schedule discussion with the CAA.
- (d) The direct non-stop Boeing Miami/Cristobal service to be increased from twice a week to three times a week if Panagra is granted a third service.
- (e) The connecting service with Panagra Cristobal to be called the "Panagra Special", "South American Special", "South American Express" or some other appropriate name earmarking it as a Panagra service, and to be publicized as such. The idea here is that this connecting plane should be handled as far as publicity is concerned, in much the same way as the Seaboard, for example, publicize The Orange Blossom Special as their fast train from New York even though they run over the Pennsylvania right of way for part of the trip. In other words, to all intents and purposes so far as the public is concerned, this connecting plane is to be part of the Panagra service.

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[fol. 449] (f) I have also discussed with Trippe the possibility of working out some arrangement if desirable at some future date under which Panagra might use their Boeing 307s between Cristobal and Cali. He has expressed general acquiescence in this idea but no specific plan has been discussed.

3. I consider it of the very greatest importance that the arrangement be discussed with the CAA not only because of the previous discussions we have had with them but because of the provision by which Pan American guarantees satisfactory service and undertakes to turn over the route to Panagra if they do not furnish it. This should go a long way towards satisfying the CAA that the previous unsatisfactory service will not be continued. I see no possibility at all of the CAA objecting to the management arrangement but if for any reason they do object to this or any other part of the plan, I think that now rather than later is the time to work it out to their satisfaction.
4. The way this sentence is worded is evidently designed to maintain Pan American's proportion of the total service fees, including the \$5,000 differential. While I realize that it may be necessary, for obvious reasons, to agree to this, it does seem a little strong in view of the fact that the new arrangement in its very essence contemplates increased services on our part and the wording as it stands would require the same proportion of service fees even though the proportion of services rendered, while satisfactory in quality, were greatly reduced in quantity. It would, therefore, be a little more accurate if we could add at the end of this sentence, the words "and renders a corresponding proportion of services". I have explained to Trippe that my idea of satisfactory service on their part would be that their departments be fully and in every respect available to Panagra in the same way that they are now available to Panair and that they render in every respect the same kind of service

to Panagra that they render to Panam, their department heads carrying out whatever instructions they receive from Panagra and responding to Panagra therefor.

Sincerely yours,

(signed) H. J. Bond

GEORGE

GR 7632

[Vol. 450]

GOVERNMENT'S EXHIBIT 188

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C. V. WHITNEY
230 Park Avenue
New York

January 17, 1939

My dear Mr. Iglehart:

We had a very long meeting of Panam Executive Committee this afternoon at which, to my great distress, I found the situation still at odds, mostly in an effort to define the meaning of "adequate service".

I feel now that the best solution would be one you originally made to me. In other words, let us take the memorandum you and I wrote (with such minor changes as seem to be advisable and necessary), and then leave every phase of it to be arbitrated by yourself and me.

In other words, broadly speaking, we will turn over the Presidency of the Company to you and agree to give you an *adequate connecting service*. The interpretation of "adequate" is to be left to you and me. If we fail to be able to agree, Panagra will be allowed to apply for a certificate on the route we, of course, reserving a right to defend our position.

This is my interpretation of what we are trying to accomplish, and if it is yours, I will give my best effort to seeing that it is put in effect immediately. This would eliminate the necessity of trying at this time to define what was meant by an adequate service which I thought you agreed was a very difficult thing to do at this time, in this type of business and which is certain to be controversial with a group of men sitting around a table. On the other hand, I am sure that you and I could always reach a fair solution.

I believe Mr. Trippe and Mr. Rong have gone over the minor changes in wording which were necessary in paragraphs 1, 2, 3, and 4 of our memorandum. If paragraph 5 were changed to cover my suggestion above, I would be enthusiastic to see the plan put into effect at once. If this is satisfactory to you, I suggest that you redraft the memo, and have Mr. Rong present it to Mr. Trippe as your final word on the matter.

I can be reached at Hobe Sound, Florida, 201 Thursday evening. I am now convinced that our future relations depend on this solution to the matter.

I remain,

Sincerely, yours,

(sgd) SENSY WINGSTAY

(handwritten)

P.S. I do not believe it is your intention to impose a service upon us which might be impractical or unsound economically, and to commit the Company to such a course would be disastrous. Let me repeat, however, that it is our intention to give you the best service we can reasonably be expected to give, and if you and I cannot agree that this is being done, I am willing that you should have the right to apply to paddle your own canoe.

Mr. D. Stewart Ishhart

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[fol. 451]

GOVERNMENT'S EXHIBIT 189

January 19, 1939

C. V. Whitney, Esq.,
Hobe Sound,
Florida

Dear Sonny,

I have just received your letter of yesterday.

I have been over the minor changes which Mr. Roig and Mr. Trippé suggested to the memorandum that you and I agreed upon. They seem to be in order and Mr. Roig is taking to Mr. Trippé a clause "5" which I have endeavored to revise, as per attached, in the sense of our telephone discussion. As you indicate, Mr. Roig will take this to Mr. Trippé as my final word in the matter, and I hope that now we may proceed to carry out the arrangement.

As I indicated to you on the telephone, we will consider the memorandum regarding adequate service, which Mr. Roig and Mr. Rihl had tentatively agreed upon, as merely an indication of a general viewpoint and neither will consider that it is to be followed to the letter.

The thing that pleases me in this whole matter is that your mind and my mind have met; that we understand exactly what we are driving at; and, I feel entirely confident that we will see that all friction is eliminated and that everyone bends his effort to constructive accomplishment.

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[fol. 452] the results of which are bound to be successful.

Yours sincerely,

(sgd) D. S. FLEMMING

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[Col. 453]

GOVERNMENT'S EXHIBIT 190

Copy of signed original

Discussion with Panair G-190

1. One of the Grace directors of Panagra (who shall also be a director of Grace) will be elected President of Panagra and placed in responsible charge of the management of the Company. If at any time the Company's affairs are not being conducted to Pan American's reasonable satisfaction, then the President will resign.
2. Pan American will inaugurate on or before April 1, 1939, a second direct trip between Miami and Cristobal, and will maintain an adequate direct connecting service between Miami, or some other U. S. port agreed upon, and Cristobal connecting with Panagra's through mail schedules. If at any time Pan American shall not comply with the foregoing, then Pan American will cause its directors on the Board of Panagra to take such action as will permit Panagra's applying to the C.A.A. for a certificate to operate this connecting service, provided that, irrespective of any determination made as provided in paragraph 4, Pan American shall not be in any way precluded from maintaining before the C.A.A. that its service is satisfactory and should be continued and that no other service is required in the public interest. With the exception of the second direct trip between Miami and Cristobal above referred to, Pan American shall not be obligated to operate any schedules and services not designated by the Post Office Department as mail schedules but will use their best efforts to have designated as mail schedules any additional trips required to make connection with any increase in Panagra's through mail schedules.
3. It is agreeable to the parties that Pan American-Grace shall continue to utilize the respective services of Grace and Pan American and pay service fees in the same proportion as presently allowed, provided that the services

to be rendered by the respective parties are satisfactory to Pan American-Grace.

4. Any disputes arising under this general plan and every phase thereof, including, without limiting the generality of the foregoing, determination of "Pan American's reasonable satisfaction" referred to in paragraph 1 above and of "adequate direct connecting service" referred to in paragraph 2 above, which cannot be settled by the Board of Panagra, shall be determined by Messrs. D. S. Iglehart and C. V. Whitney. If Mr. Iglehart or Mr. Whitney shall be unable to act, or unable to agree in connection with any matter arising under the foregoing paragraphs, then, unless otherwise agreed between Grace and Pan American, such matters shall be determined by arbitration by an arbitrator or arbitrators appointed by Messrs. Iglehart and Whitney, or failing such appointment, by three arbitrators, one appointed by Grace, one by Pan American and a third by these two, and the party adjudged in default shall, at the discretion of the Arbitrator, be given such reasonable time to correct the default as the Arbitrator may fix.
5. This agreement shall continue to February 1, 1944, and thereafter until cancelled by Pan American or Grace on six months' written notice.

AGREED—February 14, 1939.

W. R. GRACE & Co.

By (Sgd) HAROLD J. ROIG—Vice-Pres.

PAN AMERICAN AIRWAYS CORPORATION

By (Sgd) J. T. TRIPPE, Pres.

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[Vol. 454]

GOVERNMENT'S EXHIBIT 191

NEW YORK, December 28, 1940.

MEMORANDUM

When I first learned of the American Export Lines' interest in a Caribbean service, at that time reported to begin at New Orleans and stop at Panama, my immediate reaction was that such a move by a third party constitutes a definite danger, as if such third party were to operate this service they could not in practice stop at New Orleans, nor at Panama, and in the course of a relatively short time Panagra would be definitely paralleled.

Since I formulated this view I have learned that the American Export Lines have acquired the Taca Line in Central America and appear to have a very definite program to extend their operation down the West Coast of South America and up the East Coast. In my opinion the establishment of such a third line would be highly destructive as in the long run the United States Government could not afford to pay sufficient subsidy to two lines to enable each line to operate with the present high degree of efficiency.

Neither line could show a reasonable return on its investment and could therefore not afford to supply all the modern safety improvements, etc., nor could it afford to replace its equipment by more modern, faster and larger craft.

I feel strongly; therefore, that the Export Lines' efforts

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[Vol. 455] to maneuver themselves into aviation in South America constitutes a real danger from the standpoint of the progress of American aviation, and the future development of Panagra will, in my opinion, depend on the Export Lines' success or failure in their present attempt.

It is of paramount importance, therefore, to show that it is not in the public interest to encourage a newcomer in that trade.

However, I believe that even by marshalling the most convincing arguments for this purpose it will be very difficult to convince some of those in power that to give this new service to Pan American Airways would not tend to further strengthen what some people believe to be a monopoly.

Assuming that I am right in my reasoning up to this point, it seems to me that Pan American Airways and W. R. Grace & Co., as joint owners of Pan American-Grace Airways, have a better chance to defend the future of Panagra by combining their efforts and show cause why Panagra, which now has its terminal at the Isthmus, should extend its service to New Orleans, there to connect with Eastern Air Lines. I further believe that such an application may even be stronger if it were supported by Eastern Air.

Whereas Eastern Air has hitherto definitely frowned upon any idea of going beyond the United States borders and still does not want to have any direct responsibility in what they call foreign operations, I believe that they realize that their own business would be definitely pre-ju-

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GR-2380

[fol. 456] died if the American Export Lines or some other third party were to establish a service between New Orleans and Panama, and for this reason I feel that Eastern Air would be willing to support an application in the above sense, making itself a minority partner in an application between Pan American Airways and Pan American-Grace Airways.

The many advantages accruing to Panagra and Eastern Air Lines by combining their facilities in such a service are obvious and it is my opinion that no time should be lost in moving this whole question with Washington.

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[fol. 457]

GOVERNMENT'S EXHIBIT 192

EXECUTIVE COMMITTEE

DECEMBER 30, 1940.

"Mr. C. V. Whitney referred to a proposal which had been offered by Mr. Harold J. Roig, of W. R. Grace & Co., relating to the filing of an application for a certificate of convenience and necessity between New Orleans and the Canal Zone. Upon the invitation of the Committee, Mr. Roig entered the meeting, and outlined a proposal that this Company acquiesce in the filing by Pan American-Grace Airways with the Civil Aeronautics Board of an application for a certificate of convenience and necessity on the aforementioned route, or the filing of such an application by a new company to be organized, two-thirds of the capital stock of which would be owned by Pan American-Grace Airways, Inc. and one-third, by Eastern Airlines, Inc. Mr. Roig was informed that his proposal would be given consideration, and that he would be advised of the Company's action with respect thereto at a later date. Thereupon, Mr. Roig withdrew from the meeting."

EXECUTIVE COMMITTEE

JANUARY 6, 1941.

"A discussion thereupon ensued regarding the proposal made by Mr. Harold J. Roig, of W. R. Grace & Co., relating to the filing by Pan American-Grace Airways, Inc. of an application to the Civil Aeronautics Board for a certificate of convenience and necessity between New Orleans and the Canal Zone, or possibly the filing of such an application by a new company to be organized which would be jointly owned, one-third by Eastern Airlines and two-thirds by Pan American-Grace Airways, Inc. The Committee was of the opinion that this Corporation should not approve the organization of such new company, and that in no event should the pending application of Pan American Airways, Inc. for a certificate of convenience and necessity on this [fol. 458] route be withdrawn. No final action was taken on the question of whether this Corporation should acqui-

esce in the filing of such an application by Pan American-Grace Airways, Inc. inasmuch as the Committee desired to consult counsel for the Company and to give the matter further consideration."

BOARD OF DIRECTORS

JANUARY 7, 1941.

"A discussion thereupon ensued regarding a proposal to have Pan American-Grace Airways, Inc., or another company in which it would be interested, apply for authority to operate between New Orleans and the Canal Zone. It was the sense of the meeting that such proposed action should be opposed."

EXECUTIVE COMMITTEE

JANUARY 14, 1941.

"The meeting proceeded to consideration of a proposal made by Mr. Harold J. Roig, of W. R. Grace & Company, that the Corporation should acquiesce in the filing by Pan American-Grace Airways, Inc. of an application for a certificate of convenience and necessity between the Canal Zone and New Orleans, Louisiana, and of a notice of a meeting of the Board of Directors of Pan American-Grace Airways, Inc. which had been called for the afternoon of January 14, 1941, to consider the same matter. Mr. Henry J. Friendly, of Root, Clark, Buckner & Ballantine, counsel for the Corporation, was invited to enter the meeting at this point. Mr. Friendly presented a legal opinion rendered by his firm and participated in the discussion. After full consideration, it was, upon motion duly made and seconded, unanimously

RESOLVED, that the Corporation, as owner of half of the stock of Pan American-Grace Airways, Inc., should decline to acquiesce in the filing by Pan American-Grace Airways, Inc. of an application for a certificate of convenience and necessity between the Canal Zone and New Orleans, Louisiana, and that the representatives of the Corporation upon the Board of Directors of Pan American-Grace Airways, Inc.

should not attend the meeting of such Board of Directors called for the afternoon of January 14, 1941, to act upon such proposal, or any adjournment thereof, and, except upon further instructions from the Executive Committee or the Board of Directors, should not attend any other meeting of the Board of Directors of Pan American-Grace Airways, Inc. at which action is to be taken upon the subject matter above described.

It was further determined that the proper officers of the Corporation should promptly communicate with Mr. Roig, and discuss the matter with him so that the position of the Corporation might be fully understood. A form of letter to be addressed to Mr. Roig, in the event that, after such conversations, he was nevertheless determined to proceed with the meeting of the Board of Directors of Pan American-Grace Airways, Inc., was approved."

EXECUTIVE COMMITTEE

JANUARY 28, 1941.

"Mr. Trippe reported to the meeting on a conference which had been held with Messrs. Gami and Roig relative to the filing of an application by Pan American-Grace Airways, Inc. for a certificate of convenience and necessity on a route between the Canal Zone and New Orleans, via Guatemala."

[fol. 460]

GOVERNMENT'S EXHIBIT 193

May 2, 1941

Civil Aeronautics Board
Washington, D.C.

Dear Sirs:

We are enclosing herewith copy of notice which we have mailed to the list of air carriers issued by the Civil Aeronautics Board under date of March 11, 1941.

Pursuant to said Notice of Intention, we hereby apply, in behalf of ourselves or of a subsidiary corporation, for

a Certificate of Convenience and Necessity authorizing ourselves or such subsidiary to engage in air transportation on the route therein described, namely: between New Orleans, Louisiana and Cristobal and or Balboa, Canal Zone, via Merida, or via other Mexican and or Central American ports.

We have not been able to prepare for filing a formal application in accordance with the forms prescribed by the Board. Such application, however, will be prepared as promptly as possible and it is expected that it can be completed in the course of a month.

In view of the fact that the route covered by the application is the same in substance as those covered in the applications now pending and on which hearings are to be held in Docket #373 and Docket #497, we respectfully request that hearings on these applications be postponed for a month so that our application can be considered at the same time. If the hearing is not postponed we request that we be permitted to intervene as a party therein.

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GR-9070

[fol. 461]

New York, N. Y.
May 2, 1941

TO WHOM IT MAY CONCERN:

The undersigned intends to file application, in behalf of itself or of a subsidiary corporation, with the Civil Aeronautics Board for a Certificate of Convenience and Necessity authorizing ourselves or such subsidiary to engage in air transportation between New Orleans, Louisiana and Cristobal and or Balboa, Canal Zone, via Merida, or via other Mexican and or Central American ports.

W. R. GRACE & Co.

signed D. STEWART BLENHART
President

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GR-9072

[fol. 462]

GOVERNMENT EXHIBIT

Minutes of Special Meeting of the Board of Directors of Pan American Grace Airways, Inc. held at the office of Pan American Airways, Inc. 135 East 42nd Street, New York, N. Y. on the 18th day of June, 1941 at 4:00 o'clock in the afternoon.

PRESENT: Messrs. W. F. Cogswell
A. Garin
R. H. Patchin
H. J. Roeg

being less than a quorum of the Board.

Mr. H. J. Roeg, President of the corporation, presided. Mr. W. F. Cogswell, Secretary, acted as Secretary of the meeting.

The Secretary presented Call of the Meeting dated June 13th, 1941 and the notice of meeting, together with affidavit of mailing thereof on June 13th, 1941 to all of the Directors of the company.

Mr. Roeg thereupon made the following statement:

"At the close of our last regular meeting, Mr. Garin brought up the question of this Company's applying for the route between New Orleans and the Canal Zone. Mr. Trippe stated that he did not know that this question was to be brought up, that the views of Pan American on the subject were well understood as a result of discussions which had been had and that if the matter was to be discussed by the Panama Board, he felt that a special meeting for this purpose should be called. The subject was accordingly dropped with the understanding that such a special meeting would be called.

GR-13106 JPC

[fol. 463] In accordance with the above understanding on June 13th I called a special meeting of the Board of Directors.

directors of this Company to be held June 18th, 1941 at 4:00 PM for the purpose of considering a proposal that this Company apply for the route between New Orleans and the Canal Zone.

At the time I called this meeting I was not aware that Mr. Trippe was leaving for London. When I learned of this I told Mr. Ruhl that in Mr. Trippe's absence it would be entirely in order for any other Pan American officer or director to come to the meeting to present their views. As none of the Pan American directors is present at this meeting, we have no quorum. In the absence of a quorum, this meeting can only adjourn and I would suggest such adjournment in order to give the Pan American directors a further opportunity to be present. In connection with this adjournment, I would like, however, to submit the following facts:

Ever since the Export Line filed an application for the New Orleans route, the Grace directors have felt that a situation was presented of the very first importance to the welfare of Pan American Grace Airways. As President of the Company as well as one of the Grace directors, I have been particularly concerned by this development. Should the Export Line be granted this certificate, it would mean that they would have a direct connection between continental United States and the northern terminus of the Panagra Route with the constant possibility of their extending their route south of Cristobal paralleling the GR-13107.

[fol. 464] Panagra line and thus being in a position to compete with us with the great advantage on their side of being able to come through to the United States and with every likelihood that with this last important South American gateway preempted, it would be many years before our company could provide a similar connection to the United States if, indeed, they were ever able to do so.

The disadvantage of our not having a terminus of our line in the United States is continually becoming more apparent. While this disadvantage has been mitigated by our having a connection through an allied company, Pan American Airways, through Miami, if this new connecting

service through New Orleans should not be awarded to Pan American Airways and if it should be awarded to Export, permanent and irrevocable damage would be done to our Company and our whole future development seriously prejudiced and even possibly destroyed.

Even if the route were awarded to Pan American, this would be far short of our having our own direct connection. Having during the past twelve years pioneered and developed its 6,000 mile route serving seven South American countries, it is a natural and logical development for us to bring our line through to a terminus in the United States. This would improve our ability to serve the South American countries through which we operate. It would stimulate traffic by providing a direct service. With the coming use of four engine land planes, of which we have GR-13108

(fol. 465) three DC-4s on order, it would make for economy and efficiency of operation as these planes are suitable for use over the New Orleans Canal Zone sector as well as from Cristobal south. This development is not only in the interest of Panagra but is manifestly in the national interest.

For more than six months and others have endeavored to persuade the Chairman of the Board of Pan American Airways and other members of their Executive Committee of the seriousness and importance of this problem and to enlist their support for Panagra's applying for this route. As long ago as January 10th, I called a special meeting of this Board to be held on January 14th to consider the problem but that meeting was allowed to lapse in order to permit of further opportunity for this discussion with the Pan American officials. Up to this time Pan American have refused to agree to Panagra's applying for this New Orleans route.

I do not feel that I should take the responsibility of letting this matter of such serious and far-reaching importance be disposed of in this fashion without the directors of this Company taking official cognizance of it and sharing the responsibility for whatever action is taken or not taken by Panagra. This meeting was accordingly called in order

that the matter might be submitted to the responsible directors of this Company for their consideration solely as directors of this Company and from the standpoint of this company alone and for their determination of what GR 13109

[fol. 466] under all the facts and circumstances of the situation had best be done to safeguard the interests of this Company which are so vitally concerned in this problem."

The directors present expressed their concurrence in the above views but in the absence of a quorum action in the matter was impossible.

The meeting thereupon adjourned to June 20th at 9:00 AM at the same place.

Chairman

W. F. Cogswell

Secretary

GR 13110

[fol. 467]

GOVERNMENT'S EXHIBIT 135

Meeting called for

June 2nd, 1945

Did not convene.

Minutes of Adjourned Special Meeting of the Board of Directors of Pan American Grace Airways, Inc. held at the office of Pan American Airways, Inc. 135 East 42nd Street, New York, N. Y. on the 20th day of June, 1944 at 9:00 o'clock in the forenoon.

PRESENT:

Messrs W. F. Cogswell

A. Garner

H. J. Roig

being less than a quorum of the Board.

Mr. H. J. Roig, President of the corporation, presided. Mr. W. F. Cogswell, Secretary, acted as Secretary of the meeting.

Owing to the lack of a quorum, the meeting was adjourned to June 24th, 1941 at 4:00 o'clock in the afternoon at the office of W. R. Grace & Co., 7 Hanover Square, New York, N. Y.

s/ HJR
Chairman

s/ W F Cogswell
Secretary

GR-13105

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JPC

[fol. 468]

GOVERNMENT'S EXHIBIT 196

EXECUTIVE COMMITTEE

JUNE 24, 1941.

"Mr. Trippe read to the meeting a copy of a letter dated June 19, 1941, written by Mr. Geo. L. Rühl, a Vice President of the Corporation, to Mr. Harold J. Roig, relating to a special meeting of the Board of Directors of Pan American Grace Airways, Inc. which had been called for June 18, 1941, and which had been adjourned to June 20, 1941, for the purpose of considering a proposal that Pan American Grace Airways, Inc. extend its route from Cristobal and/or Balboa to New Orleans and an application to the Civil Aeronautics Board for the necessary certificate of convenience and necessity. Such letter was approved, as being in line with the previous position of the Company, and ordered filed with the Secretary's records."

BOARD OF DIRECTORS

JULY 1, 1941.

"Mr. Trippe reported to the meeting on developments to date in connection with a proposal submitted by W. R.

Grace & Co. relating to an extension of the operations of Pan American-Grace Airways, Inc. from the Canal Zone to New Orleans, and the filing of an application with the Civil Aeronautics Board for a certificate of convenience and necessity on such route. He referred to the special meeting of the Board of Directors of Pan American-Grace Airways, Inc. which had been called for June 18, 1941 to act upon such proposal, and the subsequent adjournments of such meeting. Mr. Trippe pointed out that in January, 1941, a meeting of the Board of Directors of Pan American-Grace Airways, Inc. had been called to act upon the same proposal, and recalled that the Board of Directors of Pan American Airways Corporation, as also its Executive Committee, had determined that the Company should decline to acquiesce in such proposal, and that the Executive Committee had issued instructions to the representatives of Pan American Airways Corporation on the Board of Directors of Pan American-Grace Airways, Inc. not to attend any meetings of the Board of Directors of Pan American-Grace Airways, Inc. at which such proposal was to be acted upon. He also stated that, at the request of Pan American Airways Corporation, a special meeting of the stockholders of Pan American-Grace Airways, Inc. had been called to be held on July 2, 1941, at which it was intended that a statement would be submitted on behalf of Pan American Airways Corporation setting forth its position with respect to such proposal, and that it was expected that the representatives of W. R. Grace & Co. at such stockholders' meeting would submit a statement on behalf of that Company respecting such proposal.

At the conclusion of the discussion which ensued, the Board reaffirmed the position which had been previously taken by the Board and the Executive Committee that it would not be in the interest of Pan American Airways Corporation or of Pan American-Grace Airways, Inc., or in the public interest for Pan American Airways Corporation to acquiesce in the proposal.

Upon motion, duly made and seconded, the following resolution was adopted:

RESOLVED, that the President, or any Vice-President, of this Corporation be, and each of them hereby is, authorized and empowered, in the name and on behalf of this Corporation and under its corporate seal or otherwise, to execute and deliver a proxy in favor of Geo. L. Rihl, John C. Cooper or J. Clawson Roop, Vice-Presidents of this Corporation, whereby the said Geo. L. Rihl, John C. Cooper or J. Clawson Roop will be authorized to attend a special meeting of the stockholders of Pan American-Grace Airways, Inc. to be held on July 2, 1941, or at any meeting of such stockholders adjourned therefrom, and to vote the shares of stock held by this Corporation in said Pan American-Grace Airways, Inc. at such special meeting to be held on July 2, 1941, and at any meeting adjourned therefrom, and that the Secretary, or any Assistant Secretary, of this Corporation be, and each of them hereby is authorized and empowered to affix the seal of this Corporation to such proxy so executed and to attest such seal so affixed."

[fol. 470]

GOVERNMENT'S EXHIBIT 197

Minutes of Special Meeting of the Board of Directors of Pan American Grace Airways, Inc. held at the Office of Pan American Airways, Inc., 135 East 42nd Street, New York, N. Y., on the 26th day of June, 1941 at 4:00 o'clock in the afternoon.

PRESENT:

Messrs. W. B. Cogswell
H. P. Morris
G. L. Rihl

Being less than a quorum of the Board.

In the absence of the President of the corporation, Mr. G. L. Rihl called the meeting to order and acted as Chair-

man. Mr. W. F. Cogswell, Secretary, acted as Secretary of the meeting.

The Secretary presented the call to the meeting dated June 24th, 1941 and the notice of meeting, together with affidavit of mailing thereof on June 24, 1941 to all of the directors of the corporation.

Owing to the lack of a quorum, the meeting was adjourned to June 27th, 1941 at 2:00 o'clock in the afternoon at the office of W. R. Grace & Co., No. 7 Hanover Square, New York, N. Y.

Chairman of the Meeting

/s/ W. F. COGSWELL,
Secretary

GR-13094

2/16/55

JPC

[fol. 471]

GOVERNMENT'S EXHIBIT 198

Minutes of Adjourned Special Meeting
of the Board of Directors of Pan American-Grace Airways, Inc held at the office
of W. R. Grace & Co., 7 Hanover Square,
New York N. Y. on the 27th day of June,
1941 at 2:00 o'clock in the afternoon.

PRESENT:

Messrs W. F. Cogswell
A. Garni
H. J. Roig

being less than a quorum of the Board.

Mr. H. J. Roig, President of the corporation, presided.
Mr. W. F. Cogswell, Secretary, acted as Secretary of the meeting.

Owing to the lack of a quorum, the meeting was adjourned to June 30th, 1941 at 2:00 o'clock in the afternoon at the same place.

H R
Chairman

W F Cogswell
Secretary

GR-13095

2/16/55

JPC

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GOVERNMENT'S EXHIBIT 199

Minutes of Adjourned Special Meeting
of the Board of Directors of Pan American-Grace Airways, Inc. held at the office
of W R Grace & Co, 7 Hanover Square,
New York, N Y on the 30th day of June,
1941, at 2:00 o'clock in the afternoon.

PRESENT

Messrs W F Cogswell
A Garmi
R H Patchin

being more than a quorum of the Board.

In the absence of the President of the corporation, Mr
A Garmi called the meeting to order and acted as Chairman.
Mr W F Cogswell, Secretary, acted as Secretary of the
meeting.

Owing to the lack of a quorum, the meeting was adjourned
to July 1st, 1941 at the same time and place.

AS A GARNI
Chairman of the Meeting

W F Cogswell
Secretary

copy

PAN AMERICAN AIRWAYS CORPORATION

15 Exchange Place

Jersey City, N.J.

June 30, 1941.

Mr. Harold J. Roig, President, and
Mr. W. F. Cogswell, Secretary,
Pan American-Grace Airways, Inc.,
c/o W. R. Grace & Co.,
7 Hanover Square,
New York, N. Y.

Dear Sirs:

Pursuant to the By-Laws of Pan American-Grace Airways, Inc., and particularly to Section 3 of Article III thereof, the undersigned corporation, being the owner of record of 50% of the outstanding capital stock of Pan American-Grace Airways, Inc., hereby requests that a special meeting of the stockholders of Pan American-Grace Airways, Inc. be called for the purpose of considering the proposal made by the President of Pan American-Grace Airways, Inc. at the Special Meeting of the Board of Directors held on the 18th day of June, 1941 with reference to the filing by Pan American-Grace Airways, Inc. of an application for a certificate of public convenience and necessity between New Orleans and the Canal Zone.

We further request that such meeting be called for Wednesday, July 2, 1941, and that notice thereof be given personally, by telephone or by telegraph.

Very truly yours,

GR-9112

PAN AMERICAN AIRWAYS CORPORATION

By (sgd) GEORGE L. RIEHL
Vice President

Attest:

(sgd) C. M. BLASKE
Asst. SecretaryG041950
GR

[fol. 474]

GOVERNMENT'S EXHIBIT 201

Minutes of Adjourned Special Meeting
of the Board of Directors of Pan
American Grace Airways, Inc. held at
the office of W. R. Grace & Co, 7 Han-
over Square, New York, N. Y. on the 1st
day of July, 1941 at 2:00 o'clock in
the afternoon.

PRESENT:

Messrs. A. Garmi
H. J. Roig

being less than a quorum of the Board.

Mr. H. J. Roig, President of the corporation, presided. In
the absence of the Secretary, Mr. A. Garmi acted as Secre-
tary of the meeting.

Mr. Roig presented to the meeting letter addressed to the
Board of Directors from Mr. D. S. Iglehart, President of
W. R. Grace & Co., dated June 17, 1941, letter of June 19,
1941 from Mr. George L. Ruhl to Mr. Harold J. Roig, and Mr.
Roig's reply dated June 26, 1941, which letters were ordered
spread upon the minutes.

W. R. Grace & Co.
7 Hanover Square, New York

June 17, 1941

To the Board of Directors,
Pan American Grace Airways, Inc.,
New York, New York.

Dear Sirs:

We refer to the pending question as to the assign-
ment by the Civil Aeronautics Board of the route from
Panama to New Orleans. We understand that discus-
sions have been going on for several months as to the
advisability of your company applying for this route

and that your 50% stockholder, Pan American Airways Corporation, has refused to agree to your doing so.

GR-13096

2/16/55

JPC

[fol. 475] Some time since we took the matter up with Pan American Airways Corporation, explaining fully our reasons for feeling that it was a serious mistake for them to refuse to permit your company to apply for this route. The matter was taken up with their Executive Committee and Board of Directors and we were advised that they had decided that they could not agree to your company's applying for this route.

We believe it to be in the national interest that the great trunk lines that you have built up in South America should be extended to an American port. In fact, your service will be fragmentary and runs the constant risk of being interrupted and incomplete until the time comes when you own your own connections with this country.

In view of the existing situation and in order to protect our investment in Pan American Grace Airways, Inc., pending consideration of this matter by your Board, we advised Pan American Airways Corporation that we felt compelled to notify the Civil Aeronautics Board of our intention to apply for the route in question. The latter recognized our interest by permitting us to intervene in a proceeding involving the application of Pan American Airways Corporation and American Export Lines for this route. Although we believe we can successfully compete for this New Orleans route and are preparing to form a company to undertake this service, and any other aviation services, we feel that it is more logical and more in the national interest that your company should file such an application in its own right.

You have on order three DC-4 planes that would be capable not only of serving the proposed Panama New Orleans route in an adequate way, but their acquisition

would also enable you to provide the increased capacity on your existing route that appears to be required urgently. We learn that you are now considering whether or not you will cancel your order for these planes. We urge upon you to study carefully the advisability of acquiring these planes and using them for the above purposes.

We furthermore feel that you should consider carefully the advisability of issuing further stock and of offering this stock to us in order that our Government may have two distinct entities to deal with and in order that the question which has constantly arisen as to the interest of your company being made subservient to that of the Pan American Airways Corporation interest may be definitely removed.

GR-13097

[fol. 476] We have been somewhat disturbed by certain recent developments with which you are undoubtedly familiar and which need not be elaborated upon in this letter, particularly the current charges of monopoly in the field of foreign air transportation. For this reason we believe it absolutely essential that the affairs of your company, in which we have a definite and substantial interest, be so conducted as to preserve its present independent status and to avoid any situation which would carry with it any possible implication that it does not occupy such an independent status.

We are taking the liberty of submitting a copy of this letter to the Chairman of the Pan American Airways Corporation.

Very truly yours,

W. R. GRACE & Co.

(Dictated by) D. S. TILGHART
President

EB

"PAN AMERICAN AIRWAYS SYSTEM

Office of
G. L. Ruhl, Vice-President

June
19
1941

Mr. Harold J. Roig
W. R. Grace & Co.
7 Hanover Square
New York City

Dear Harold:

I have been advised that the special meeting of the Board of Directors of Pan American-Grace Airways, Inc., called for June 18th, has been adjourned to June 20th at 9:00 A.M., and that the purpose of the meeting is to consider a proposal that Pan American-Grace Airways, Inc. extend its route from Cristobal and/or Balboa to New Orleans and apply to the Civil Aeronautics Board for the necessary Certificate of Convenience and Necessity.

When a similar proposal was advanced last January, our Executive Committee and Board of Directors felt unable to acquiesce in the proposal. I understand that this attitude of our Board and Executive Committee was explained to you.

GR-13098

[fol. 477] We considered that this proposal involved such a fundamental change in the venture into which our two companies had entered in 1928 as to be beyond the proper scope of action by the Board of Directors of Pan American-Grace Airways, Inc. in the absence of prior agreement by the two stockholders. For this reason we do not believe that any useful purpose would be served by attendance on the part of our representatives at the meeting tomorrow and rather that any discussion of the proposal should be between the two stockholders.

If you do not wish to await the return of Mr. Trippe, which I think will be shortly, I will be glad to discuss

the matter informally with you and report to members of our Executive Committee.

With kindest regards, I am

Yours faithfully,

(sgd) GEORGE L. RHUL

"June 26, 1941

Mr. George E. Rhul,
Vice-President,
Pan American Airways System,
135 East 42nd Street,
New York City.

Dear George:

In view of pending discussions it does not seem necessary to reply in detail to yours of the 19th instant.

Referring to the next to the last paragraph of your letter, however, I would like to make it perfectly clear that I know of no such agreement or understanding which bars Pan American-Grace Airways from a normal and natural development of its route. The extension under discussion is not only that but a development which may prove vital to the integrity of even our present route.

Very sincerely yours,

(sgd) HAROLD J. ROIG

GR-13099

[fol. 478] Due to the lack of a quorum, the meeting was adjourned to July 2nd, 1941 at 9:45 o'clock in the forenoon at the same place.

/s/ H. R.
Chairman

/s/ A. GARNI
Secretary of the Meeting

GR-13100

GOVERNMENT'S EXHIBIT 202

Minutes of Adjourned Special Meeting
of the Board of Directors of Pan Amer-
ican-Grace Airways, Inc. held at the
office of W. R. Grace & Co, 7 Hanover
Square, New York, N Y on the 2nd day
of July, 1941 at 9:45 o'clock in the fore-
noon.

PRESENT:

Messrs W F Cogswell

~~A. Garni~~~~H J Roig~~

being less than a quorum of the Board.

Mr. H J Roig, President of the corporation, presided, Mr
W F Cogswell, Secretary, acted as Secretary of the meeting.

Mr. Roig stated that he had hoped that Mr. Trippe, who
had returned from Europe on June 23rd, would be able to
attend the meeting, but that he had just been advised that
he would not be able to do so; that in view of Mr. Trippe's
continued failure to attend, he saw no course but that the
meeting adjourn sine die.

The meeting thereupon adjourned sine die for want of a
quorum.

/s/ HJR
Chairman

/s/ W F COGSWELL
Secretary

GR-13102

2/16/55

JPC

[fol. 480]

GOVERNMENT'S EXHIBIT 203

PAN AMERICAN-GRACE AIRWAYS, INC.

Special Stockholders' Meeting

July 2, 1941

A special meeting of the stockholders of PAN AMERICAN-GRACE AIRWAYS, INC. convened at the office of W. R. Grace & Co., 7 Hanover Square, New York, N. Y. on the 2nd day of July, 1941 at 10:00 o'clock in the forenoon.

Mr. H. J. Roig, President of the corporation, called the meeting to order and Mr. W. F. Cogswell, Secretary of the corporation, acted as Secretary of the meeting.

The following stockholder was present by proxy when the meeting was called to order:

NAME	PROXIES	NO. OF SHARES
W. R. Grace & Co.	<i>D. S. Iglehart</i> , President of W. R. Grace & Co.	50,000
	<i>A. Garnis</i> , 1st Vice President of W. R. Grace & Co.	
	<i>Harold J. Roig</i> , Vice President & Secretary of W. R. Grace & Co.	

The Secretary presented the request for the call of the meeting signed by Pan American Airways Corporation, and the call of the meeting issued pursuant thereto. The Secretary stated that in accordance with the request, telephonic notice of the time and place of the meeting had been

GR 9109

G041947

GR-

[fol. 481] given to W. R. Grace & Co. and Pan American Airways Corporation, the holders of record of all of the issued and outstanding capital stock of the company. Copies of the proxy, request for call of the meeting, and the call of the meeting are annexed hereto.

The meeting remained open until 11:00 o'clock in the forenoon and no representatives of Pan American Airways Corporation having appeared, adjourned sine die for want of a quorum.

Chairman

Secretary

GR-9110

G041948

GR-

[fol. 482]

GOVERNMENT'S EXHIBIT 204

copy

PAN AMERICAN AIRWAYS CORPORATION

15 Exchange Place, Jersey City, N.J.

July

2

1941

Mr. Harold J. Roig
c/o W. R. Grace & Co.
7 Hanover Square
New York City

Dear Mr. Roig:

As Mr. Rihl just explained to you on the telephone, the representatives of Pan American Airways Corporation who had expected to attend the Special Meeting of Pan American-Grace Airways, Inc., called for this morning at 10 o'clock, were unexpectedly required to go to Washington last night in connection with matters relating to national defense. For this reason Pan American Airways Corporation requests that the Special Meeting of stockholders be adjourned to next Tuesday, July 8th.

We would appreciate your cooperation in arranging such an adjournment.

Very truly yours,

PAN AMERICAN AIRWAYS CORPORATION

By (Sgd) GEO. L. RHL
Vice President

G041952

GR-

GR 9114

GLR:FP

[fol. 483]

GOVERNMENT'S EXHIBIT 205

July 3, 1941

George L. Rhl, Esq.,
Pan American Airways System,
135 East 42nd Street,
New York City

Dear George:

Yours of July 2nd.

While under ordinary circumstances, I would have been delighted to suggest to the stockholders' meeting that they adjourn in compliance with your request, I frankly felt that to do so in this case would serve no useful purpose.

In our telephone conversation to which your letter refers, you stated that the representatives of Pan American Airways Corporation who had expected to attend the special stockholders' meeting were Messrs. Trippe and Cooper. The stockholders' meeting of July 2nd was called at the request of Pan American Airways Corporation and on a day fixed by them. If Messrs. Trippe and Cooper were unable to attend, certainly from among all the directors, officers and counsel of the Pan American Airways Corporation, some suitable proxies could have been found to do so.

We have been postponing consideration of this New Orleans/Panama route matter by the directors of Pan American-Grace Airways, Inc. for about six months. I have recently been adjourning special directors' meetings called to consider this subject ever since June 18th. Seven meetings (five since Mr. Trippe's return from London) have been held in the effort to get a discussion of this subject. The Pan American directors have declined to

44041953

GR-

GR-9115

[fol. 484] attend any of these meetings except on one occasion for the purpose of adjournment only. Last week I was advised that while Mr. Trippe, who returned from Europe about ten days ago, could not attend a meeting earlier than July 2nd, he could attend on that day. He was, of course, not present at the adjourned directors' meeting held at 9:45 AM on that day and I have had no word when he would attend. On the record, it would appear that the Pan American Airways directors have no present intention of attending a Pan American-Grace directors' meeting to discuss this subject.

As long ago as April 29th, I advised Mr. Trippe that Mr. Garni and I wished to discuss the New Orleans/Panama matter with him. The following day Mr. Garni and I called at his Washington office for this purpose. He was not in and although we left word of our call, he has made no attempt from that time to this to discuss this subject with us.

Hearings on this New Orleans route matter were begun before the C.A.B. two months ago and were concluded several weeks ago. Briefs are to be filed on the 15th of July. The matter is accordingly a very pressing one where if anything is to be done to protect Panagra's position, time is of the utmost importance. A point has been reached where further postponement and delay may render discussion academic. Under these circumstances and in view of all the foregoing, the last minute suggestion of this long adjournment with the absence of any indication of any

intention on the part of the Pan American Directors to
G041954
GR-

GR-9116

[fol. 485] attend a directors' meeting at any time to discuss the subject in question did not appear to me to be in order.

Very truly yours,

(Sgd) HAROLD J. ROIG

G041955
GR-

GR-9117

[fol. 486]

GOVERNMENT'S EXHIBIT 206

Delivered by hand to
HJR Jul 23—1 P.M.

PAN AMERICAN AIRWAYS CORPORATION

15 Exchange Place, Jersey City, N. J.

July 22, 1941

W. R. Grace & Company,
7 Hanover Square,
New York, N. Y.

Dear Sirs:

A special meeting of the Board of Directors of Pan American-Grace Airways, Inc. was called for June 18th to consider a proposal that Pan American-Grace Airways, Inc. extend its route from the Canal Zone to a terminal in the United States at New Orleans and apply to the Civil Aeronautics Board for the necessary certificate of convenience and necessity.

The proposal that Pan American-Grace Airways, Inc. or, in the alternative, W. R. Grace & Company should apply for a certificate to New Orleans was made in the fall of 1938, prior to the agreement of February 14, 1939,

between W. R. Grace & Company and Pan American Airways Corporation. When the matter was again brought up by you in January, 1941, we stated that the position was fully covered by that agreement. When the matter was further raised by you in June, our representatives on the Pan American-Grace Airways, Inc. Board referred this matter to the Executive Committee of Pan American Airways Corporation.

The proposal was considered at ensuing meetings of the Executive Committee. The matter was also considered by our Board of Directors at a meeting on July 1st in line with the suggestion in Mr. Iglehart's letter of June 20th to Mr. Whitney.

As you have since been advised, our Board of Directors, after mature deliberation, has unanimously reached the conclusion that it would not be in our Company's interest, or in the interest of our jointly owned Company, or in the public interest, for our representatives on the Pan American-Grace Airways, Inc. Board of Directors to approve this proposal.

In line with the agreement of February 14, 1939, between W. R. Grace & Company and Pan American Airways Corporation, however, we are glad to submit the matters in-

G041918

1-3-55 mfr

GR-9122

[fol. 487] volved to arbitration as therein provided, and we confirm the request that Mr. Whitney made yesterday to Mr. Iglehart, that such arbitration be held at once.

Very truly yours,

PAN AMERICAN AIRWAYS CORPORATION

By H. PRESTON MORRIS

H. Preston Morris

Secretary

HPM:mlc

G041919

GR-9123

[fol. 488]

GOVERNMENT'S EXHIBIT 207

July 24, 1941

Pan American Airways Corporation,
135 E. 42nd Street,
New York City, N. Y.

Dear Sirs:

This will acknowledge your letter of July 22, 1941, in which the suggestion is made that your company and W. R. Grace & Co. submit to arbitration the question of whether Pan American-Grace Airways, Inc. or, in the alternative, W. R. Grace & Co. may, under the terms of the agreement of February 14, 1939, apply for a route from the Canal Zone to New Orleans.

We are somewhat confused and surprised to note that you believe this matter can be arbitrated under the agreement of February 14, 1939. This appears to be at variance with the position taken by Mr. Trippe in conversations with Mr. Roig in which Mr. Trippe maintained that any such arbitration was not covered by the terms of the agreement and would have to be considered outside of it. Be that as it may, however, we shall endeavor to express our views with respect to both positions, first, as to the possibility of arbitration under the agreement, and secondly, as to the possibility of arbitration outside of the agreement.

The agreement of February 14, 1939, although an agreement between W. R. Grace & Co. and Pan American Airways Corporation, in no way was intended to limit the freedom of action of W. R. Grace & Co. Paragraph 4 of the agreement specifically provides that only "disputes" which cannot be settled by the Board of Panagra shall be determined by arbitration. The question of whether W. R. Grace & Co., directly or through a wholly-owned subsidiary, may file an application with the Civil Aeronautics Board for a route is not a matter over which the Board of Panagra has any control or which can be settled by the Board of Panagra. Under these circumstances, I

must respectfully reject your suggestion of arbitration in so far as W. R. Grace & Co. is concerned.

In so far as Pan American-Grace Airways, Inc. is concerned, however, I am glad to submit to arbitration under paragraph 4 of the agreement of February 14, 1939, the question of whether Pan American-Grace Airways, Inc. may file an application in its own name for a route from the Canal Zone to New Orleans without violating any provision of that agreement. It has always been our position that the most logical applicant for the proposed route is Pan American-Grace Airways, Inc., and for the past several months we have endeavored repeatedly to persuade the

G041908

1-3-55 np
GR-9191

[fol. 489] Board of Directors of Panagra to this view. As you know, the Directors on the Board of Panagra representing your company have consistently refused to sanction any such action. I, therefore, welcome any procedure which may make it possible for Panagra to file for the proposed route in its own name, and I shall immediately undertake to discuss with Mr. Whitney the details of arbitrating this question under the agreement.

It is recognized, however, that arbitration proceedings of the nature contemplated by the agreement of February 14, 1939, will consume a considerable period of time. The hearings in connection with the application of Pan American Airways Company and American Export Airlines, Inc. have already been concluded and briefs filed with the Examiner, and these cases now stand submitted to the Examiner for his report. It is, therefore, urgent that some application be filed with the Civil Aeronautics Board by W. R. Grace & Co. or by one of its wholly-owned subsidiaries immediately in order to preserve our rights in the matter. Under these circumstances, it is our present intention to file immediately an application with the Civil Aeronautics Board by Gulf & Caribbean Airways, Inc., a wholly-owned subsidiary of W. R. Grace & Co., and to advise the Civil Aeronautics Board at that time that arbitration proceedings are presently pending between your company and this

company as to whether Pan-American-Grace Airways, Inc. should be permitted to file for the route, and that in the event it is determined that Pan American-Grace Airways, Inc. may file for the route, the application of Gulf & Caribbean Airways, Inc. will be withdrawn and substituted by the application of Pan American-Grace Airways, Inc.

As to Mr. Trippe's suggestion that this matter be arbitrated outside of the agreement, we know of no person or body better qualified to arbitrate this entire question than the Civil Aeronautics Board. In your letter of July 22nd, you state that your Board of Directors has concluded that it would not be in the *public interest* for Panagra to file for the proposed route. As you know, we have heretofore taken the contrary view, and it would seem that the best judge on any question of *public interest* would be the Civil Aeronautics Board, and we shall be glad to submit it to them for their consideration and determination.

If it is now your desire to follow Mr. Trippe's suggestion and arbitrate this entire matter outside of the agreement rather than under it, please advise me to that effect immediately, so that appropriate steps may be taken quickly to place this matter in the hands of the Civil Aeronautics Board for arbitration. In the meantime, however, we shall proceed with the filing of the application of Gulf & Caribbean Airways, Inc. As you know, this matter has been under discussion for many months without any conclusion having been reached. We do not feel that we can let this
GR9192

G041909

[fol. 490] matter carry on this way any longer and, although willing to submit to arbitration on the terms herein set forth, we are unwilling to jeopardize our interests in this matter by withholding the application of Gulf & Caribbean Airways, Inc.

Very truly yours,

W. R. Grace & Co.,

By _____
President

[fol. 491]

GOVERNMENT'S EXHIBIT 208.

8/9/41

MEMORANDUM

Subject only to some further study of the questions of crews and reciprocal mileage, and of course agreement on details, Messrs. Trippe and Roig have agreed in principle on a plan under which Panagra can operate through to terminals in the United States and Mr. Friendly is preparing a draft agreement to carry out the understanding. The plan is to follow the general lines of the United Air/Western Air Express agreement and is to include Miami as well as New Orleans. Regarding Miami, while Mr. Trippe has stated that he was personally agreeable to its inclusion, this would require the approval of his Executive Committee.

G041875

1-3-55 np
GR-9222

[fol. 492]

GOVERNMENT'S EXHIBIT 209.

W. R. GRACE & CO.

7 Hanóver Square, New York

October 2, 1941.

2

Pan American Airways Corporation,
Chrysler Building,
New York City

Attention: Mr. J. T. Trippe, President

Dear Sirs:—

On August 26th, 1941, Pan American-Grace Airways, Inc. inaugurated a fourth through United States mail schedule over its route between Cristobal and Buenos Aires via Santiago.

To the best of our knowledge, you have not to date taken any steps to provide an adequate direct service between Miami, or any *other United States port agreed upon*, and Cristobal or Balboa connecting with this fourth mail schedule in accordance with agreement between us dated February 14, 1939.

We hereby require that you furnish such service promptly. In the event of your failure to do so, we shall expect you to comply with the requirement of such agreement that you cause your Directors on the Board of Pan American-Grace Airways, Inc. to take such action as will permit that company to apply to the Civil Aeronautics Board for a certificate to operate this connecting service.

Very truly yours,

W. R. GRACE & Co.

A. GARST (signature)
First Vice President

PAA-5540
3-3-55

2197-d

np

[fol. 493]

GOVERNMENT'S EXHIBIT 210

Please return to
Mr. Roig

2-14-39

PANAGRA

Miami New Orleans Connection

The following procedure is suggested:

1. As Trippe evidently does not intend to go ahead with the agreement in principle regarding New Orleans, Mr. Iglehart might write Mr. Whitney as per copy "A" attached.
2. As Miami connection is in any event much preferable to New Orleans, steps should be taken to put Panagra in position to apply for a Miami connection under agree-

ment between Grace and Pan American (copy "B" attached) as follows:

- (a) Grace has already written Pan American demanding Miami connection for Panagra's fourth trip (copy "C" attached).
- (b) Panagra should now write pointing out inadequacy of existing three connecting trips (copy "D" attached).
- (c) Unless these letters result in Panair's providing additional services or raising questions making next step undesirable, next step would be for Panagra to proceed to apply for Miami route under agreement and if Panair failed to provide necessary directors' consent as they probably would, the officers of Panagra to make the application anyhow.
- (d) In connection with the above the arbitration clause of the agreement must be considered and suitable reply made to Pan American's letter of July 22nd (copy "E" attached).
- (e) Simultaneously with above proceeding, might be instituted before CAB under Sections 408, 409 and 411 looking to removal of Mr. Trippe as Panagra director on ground of prejudicial interlocking directorships the application explaining failure to ask for removal of other Panagra directors on ground that they are under Trippe's orders.
- (f) Press for increase of capital in connection with needs of the business, rate case, etc. and endeavor to arrange that W. R. Grace & Co take this new capital or majority of it in line with Mr. Iglehart's letter to the Panagra Board of Directors dated June 17th in which it is stated:

"We furthermore feel that you should consider carefully the advisability of issuing further

[fol. 494] stock and of offering this stock to us in order that our Government may have two distinct entities to deal with and in order that the question which has constantly arisen as to the interest of your company being made subservient to that of the Pan American Airways Corporation interest may be definitely removed.

October 6, 1941

GR-9232

G041845

[fol. 495]

Dear Sonny,

Since I wrote you on August 41th, Mr. Roig has been constantly endeavoring in every possible way to bring to a conclusion the plan that was agreed upon in principle between him and Mr. Trippé on August 9th. As his repeated efforts to secure the draft contract which it was agreed should be prepared as a basis for discussion of details have failed completely, it seems clear that Mr. Trippé does not wish to carry out the understanding in principle which was reached practically a month ago.

Under these circumstances, unless you have some alternative course to suggest, it would appear to be necessary for us to abandon the possibility of a solution of Panagra's problem along the line you and I discussed and for Panagra and W. R. Grace & Co to seek a way in some other direction for safeguarding Panagra's interests and making possible its reasonable growth and development.

GR-5737

G030419

11/24/54

F

[fol. 496]

GOVERNMENT'S EXHIBIT 211

PAN AMERICAN-GRACE AIRWAYS, INC.

Executive Offices

CHRYSLER BUILDING NEW YORK, N. Y.

October 9, 1941

Pan American Airways,
Chrysler Building,
New York City

Attention: Mr. J. T. Trippie, President

Dear Sirs:

We beg to bring to your attention the inadequacy of the existing connecting services between Miami and the Canal Zone.

There is, as you know, no direct Miami connection for our fourth trip. Quite irrespective of this, however, the space available on the three existing trips is insufficient to accommodate our traffic. Passengers and express destined to and from our line are constantly being excluded from your planes for lack of space. Just as an example, a letter from Lima dated September 23rd states that "during the last four trips Panagra requested 15 seats of Panair but secured only 3, two of which were confirmed at the last minute." This appears to be the result of a division of the available payload between Panagra traffic and other traffic in this sector. We require sufficient space by direct connecting service to accommodate our traffic promptly irrespective of other movement in the area. This we are not now receiving. Rebooking of some of the excluded traffic days or weeks later does not change this fact.

We have had under discussion with the proper authorities in Washington for some time the question of providing additional trips over our route between Cristobal Balboa and Buenos Aires. In connection with our pending rate proceeding we propose to request a rate based on daily services which will mean the addition of three trips per week to our present four trips. We will require direct

connecting service for these trips between Miami and or some other United States port agreed upon and the Canal Zone.

We would appreciate your advising us what steps you propose taking to meet the present situation and to provide the additional direct connecting services required in the event of increase in our schedules. In this connection we beg to state that the alternate indirect routes via Barranquilla and Brownsville do not provide satisfactory con-

PAA-5541

3/3/55

2197-d

necting service nor would a stop at Camaguay (at the expense of depriving us of direct service and slowing down our entire schedule) provide a satisfactory solution of the problem.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

HAROLD J. ROIG
President

2197-d

PAA-5542

[fol. 498]

GOVERNMENT'S EXHIBIT 212

PAN AMERICAN AIRWAYS CORPORATION
45 Exchange Place, Jersey City, N. J.

October 22, 1941

Received at - (Oct. 23, 1941)

W. R. Grace & Company
7 Hanover Square
New York, N. Y.

Gentlemen:

We desire to acknowledge receipt of your letter of October 2, referring to the fourth weekly trip undertaken by our jointly owned company, Pan American Grace Airways, Inc., between Cristobal, Santiago, and Buenos Aires.

The letter has been given careful consideration by Mr. Rihl and other of our System officials concerned. As you know, Mr. Rihl has recently been called out of the country and I am replying for him in his absence.

Prior to receipt of your letter our officials concerned had given the matter careful consideration. This fourth trip was scheduled to depart from Cristobal at 5:30 A.M. on Tuesday of each week, the same day on which one of the three regular trips is scheduled to depart. Obviously, this fourth trip is not properly spaced to provide adequate through mail or passenger service, and apparently it was set up in this manner due to the exigencies of Pan American-Grace's equipment situation, and without prior consultation with Pan American Airways. Obviously, it would not be in the public interest for Pan American Airways to operate an additional trip to Cristobal to provide a fourth through service of this sort.

Our System officials have, however, been considering four properly spaced schedules from Miami to Cristobal, there to connect with our jointly owned Company service to West Coast countries and Buenos Aires. They would be glad to confer with Mr. Roig or Mr. Harris with a view to arranging suitable schedules providing for four adequately spaced trips per week. As soon as a satisfactory fourth weekly schedule is worked out between us we will be glad to take the matter up immediately with the Post Office Department.

However, even when this step has been taken, we are of the opinion that the connecting services which would be provided by our jointly owned Company would still be far from satisfactory. We continue to hold that through services to points on the West Coast and Buenos Aires, connecting with our services at Cristobal, should be speeded up and greatly expanded. Four-engine equipment, capable of providing as efficient, comfortable and fast service to this important area as is planned by Pan American Airways for other parts of Latin America, should be provided.

[fol. 499] Four years ago, Pan American's Directors on the Board of our jointly owned Company favored providing service with four-engine equipment of large capacity to avoid the traffic bottleneck which still exists with respect to Pan American-Grace Airways' through traffic to all West Coast countries other than Colombia. Even today the passenger capacity of the DC-3's, on the sector between Cristobal and Ecuador, is limited to approximately twelve seats.

A year and a half ago, Pan American Airways placed orders for twenty-two forty passenger four-engine transports (type L-49), having a contract cruising speed well in excess of 250 miles per hour, for use on our principal Latin American trunk lines. This equipment would provide for four-engine service via Central American points to the Canal Zone in addition to daily express service between Miami and the Canal Zone. Other daily express services would run to Barranquilla with direct connections on to the Canal Zone. Daily service along the East Coast to Rio and Buenos Aires was also included.

Mr. Roig and Mr. Harris last year advised us that they were unwilling to support an order for suitable four-engine aircraft in addition to the three DC-4s which Pan American has on order for account of Pan American-Grace Airways. We would hope, however, that the Directors on the Board of our jointly owned Company representing Grace & Company will now join with us to permit the Company to place orders for sufficient four-engine equipment.

To improve the present unsatisfactory situation on the northern part of the Pan American-Grace Airways' route, Pan American Airways is prepared to conclude an agreement with Pan American Grace, subject to the approval of the Civil Aeronautics Board, along the lines of the Western Air-United Air Lines agreement. Such agreement would permit Pan American Airways to charter to Pan American-Grace, if the Grace interests were willing, four engine equipment for use on certain operations on this connecting West Coast service, thereby helping to provide a more efficient express service and to eliminate present

bottlenecks. A draft of such agreement will be forwarded within a few days to Pan American-Grace Airways.

Very truly yours,

PAN AMERICAN AIRWAYS CORPORATION

Evan E. Young
Vice President

GR-9248

G041821

[fol. 500]

GOVERNMENT'S EXHIBIT 213

W. R. GRACE & CO.
7 Hanover Square, New York

October 27, 1941

A. GARNI
First Vice President

Pan American Airways Corporation,
15 Exchange Place,
Jersey City, New Jersey.

Dear Sirs:

We beg to acknowledge receipt of yours of October 22nd.

It is true that Panagra's fourth trip leaves Cristobal southbound at 5:30 A.M. on Tuesdays and that one of their other trips leaves Cristobal at 1:50 P.M. on the same day. Your comments, however, overlook the fact that this trip is one day ahead of the 1:50 P.M. trip at all points south of Cali. A connection for this 5:30 A.M. Tuesday southbound trip would naturally leave Miami sometime on Monday either making the run at night or with overnight in Panama. You have no Panagra connecting trip out of Miami on Monday. Your comments also entirely overlook the fact that northbound Panagra's fourth trip, equally without direct connection to Miami, arrives at Balboa Friday night and, with present daylight flying, your connecting trip would in normal course leave Balboa on Saturdays, a day on which there is no other direct connecting schedule. With the increased frequencies which are inevitable with the increase of traffic, spacing of trips by a full intervening

day becomes more and more impractical and with the daily trips we anticipate shortly, will be impossible. We note that your letter makes no concrete suggestion of any schedule which would be an improvement over the present. We see no basis for your statement that Panagra's "fourth trip is not properly spaced to provide adequate through mail or passenger service".

PAA-5546

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3/3/55

mfr

[fol. 501] This fourth trip schedule was not, we are advised, "set up in this manner due to the exigencies of Pan American-Grace's equipment situation". It is obvious that Pan American was advised of the proposed schedule since Pan American's Traffic Department attended to the filing of schedule with the Civil Aeronautics Board and with the United States Post Office. As a matter of fact, one of the reasons leading to the present schedule was the necessity of an early Tuesday southbound departure from Cristobal in order to connect with Panair do Brasil at Corumbá. Panagra's fourth trip, as you will recall, being related to the provision of an American transcontinental service via Peru, Bolivia and Brazil to replace the German service.

While we mention the foregoing to avoid misunderstanding, the agreement of February 14, 1939 provides that your company will maintain adequate direct connecting services "connecting with Panagra's through mail schedules". It contains no provision that Panagra's schedules shall be arranged to suit your convenience. Your statement that "it would not be in the public interest for Pan American Airways to operate an additional trip to Cristobal to provide a fourth through service of this sort" is unwarranted since the governmental authorities charged with responsibility for determining the "public interest" in these matters, viz., the United States Post Office Department and the Civil Aeronautics Board have approved the Panagra schedule in question in the manner provided by law.

2197d

PAA-5547

[fol. 502] Your letter is, in effect, a categorical refusal to provide connecting service for Panagra's fourth trip as at present operated. The many wholly unrelated matters

which you bring into the discussion serve no constructive purpose whatever and if we may be permitted to say so, only becloud, delay and avoid the issue. In view of your refusal to provide connecting service as required by the agreement of February 14, 1939, we shall expect you to take the action necessary to permit Panagra to itself apply for this connecting service in accordance with the provisions of that agreement.

As all of the other matters discussed in your letter relate to business of Pan American-Grace Airways, unrelated to the agreement of February 14, 1939, we have referred them to the President of Pan American-Grace Airways for attention.

Very truly yours,

W. R. GRACE & Co.

/s/ A. GARNI
First Vice-President

2197d

PAA-5548

[fol. 503]

GOVERNMENT'S EXHIBIT 214

Telephone
Murray Hill 6-7100

Cable Address
"PANAGRA"

PAA Grace

PAN AMERICAN-GRACE AIRWAYS, INC.

Executive Offices

Chrysler Building—New York, N.Y.

October 27, 1941

Pan American Airways Corporation,
15 Exchange Place,
Jersey City, New Jersey

Dear Sirs:

I refer to yours of October 22nd addressed to W. R. Grace & Co.

The portion of your letter criticizing the Panagra service gives a rather incomplete and inaccurate impression regarding the matters to which you refer.

The idea which you state you "continue to hold" that Panagra service "should be speeded up and greatly expanded" neither originated with your company nor have you held it continuously. On the contrary, you have held on more than one occasion in the past and are, at the present time, in connection with Panagra's proposed extension to a terminal in the United States, holding quite contrary views. Since early 1939, in line with the view that Panagra's services "should be speeded up and greatly expanded", Panagra's management has with the support of its entire Board of Directors, among other constructive steps:

(1) Cut one full day from its schedule between the Canal Zone and Buenos Aires via the fourth trip and-half a day via the other trips.

(2) Doubled its frequencies (from two trips per week to four) over its entire route; increased frequencies between a number of local points on the route and in its pending rate application is seeking daily service over its entire route. You have failed to provide adequate connecting service for the fourth trip and have to date given no assurance of providing such service.

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[fol. 504] tion for the three additional trips in connection with our daily service.

(3) Expanded its route mileage about 30% by the addition of extensive new services in Ecuador and Bolivia.

(4) Undertaken a complete revision of its radio setup in anticipation of increased frequencies and faster schedules (including night flying) and greatly expanded and improved its facilities (including purchase of four engine equipment as hereafter referred to), organization and service in all departments.

- (5) Expanded and developed its traffic on every section of its route with resulting large increases in revenue from passengers, express and foreign mail.

I have at no time been advised that the progress being made was not entirely satisfactory to you. Certainly none of your directors on the Board of Panagra has ever given any indication to that effect. On the contrary, they have from time to time indicated satisfaction with the progress being made.

As you know, I have for some time with the support of the Grace directors on the Board of Panagra, been urging upon your company that Panagra's services be "speeded up and greatly expanded" by their coming through to a terminal in the United States, a step which, for reasons with which you are familiar, we consider of the utmost importance to the company's welfare. By persistent refusal to permit this normal and logical expansion of Panagra's service, your company and your directors on the Board of Panagra have taken a course which to date has made impossible the most important single step by which "through service to points on the West Coast and Buenos Aires" could be "speeded up and greatly expanded".

The statement that "four years ago" your Panagra directors "favored providing service with four engine equipment" between Cristobal and Ecuador refers, I assume, to the effort of your directors on the Panagra board in 1938 to bar Panagra from an overland route across Colombia 2197 d.

PAA-5550 [fol. 505] and to commit Panagra to an overwater route between Cristobal and Guayaquil operated with four engine seaplanes. There were no four engine land planes four years ago. If your views had been followed at that time Panagra would have been committed to a form of seaplane operation which has long since become obsolete on routes of this character and is rapidly becoming obsolete everywhere.

A year and a half ago, after exhaustive study of the then prospectively available four engine land planes, I recommended to the Board of Panagra the purchase of three Douglas DC-4s. At a meeting of the Board held March 18,

1940, this purchase was authorized and correspond-
 ing contract entered into with the Douglas Air-
 PAA craft Company. The contract called for deliveries
 in July, August and September 1941 and but for the
 war these planes would doubtless be in service by now.
 Your letter states that about this same time you purchased
 a number of Lockheed L49s. You are as well advised as I
 regarding the present delivery prospects of the DC4. I know
 nothing as to the delivery prospects on the L49s. I under-
 stand, however, that although you ordered no DC4 until
 recently you have within the past few months placed
 17 orders for a number of these planes. Neither at the
 meeting of March 18, 1940 nor at any time before or
 since have any of your representatives stated to me or any
 of the Grace directors that you felt that Panagra should
 order an additional number of four engine planes. I do
 not know what conversations you may have had with Mr.
 Harris who is at present in Bolivia. If your directors on
 the Panagra board have any specific proposal to make they
 are, of course, at liberty to make it at any meeting of the
 2197 d PAA-5551
 [fol. 506] Board and you may rest assured that the Grace
 directors will give such proposal full consideration and
 take whatever action in the premises is in the best interests
 of Panagra.

On July 28th last I suggested to Mr. Trippe the possi-
 bility of an arrangement along the lines of the Western
 Air United Air Lines agreement under which Panagra
 might bring its equipment through to New Orleans and
 Miami under Pan American's franchises. The suggestion
 was made as a possible compromise substitute for Pan-
 agra's bringing its line through to a United States terminal.
 It was suggested that, incidental to this main purpose, Pan
 American equipment might perhaps to meet schedule con-
 venience, be operated over the Panagra route as far south
 as Cali. On August 7th an agreement in principle was
 reached and counsel was to prepare draft agreement. I
 have endeavored repeatedly since then to secure a draft
 of this agreement but as these efforts have been wholly
 unsuccessful, I was forced to the conclusion some time since

that you did not desire to proceed further along this line. From the last paragraph of your letter it would now appear that this idea has been turned entirely around, the main purpose totally eliminated and the incidental suggestion developed into the sole object of the agreement. While I will, of course, be glad to consider the draft agreement provided it is in Panagra's interests, I do not see how Panagra's traffic problem arising not out of the matters to which you refer but out of its great increase in traffic, have any bearing on or can be availed of to divert attention from your failure to provide Panagra with adequate direct connecting service between Miami and the Canal Zone. Moreover, I do not see how Panagra can have the 2197 d PAA-5552 slightest interest in the suggested agreement if its effect is to turn over the operation of our Northern Sector to Pan American. Panagra is not interested in seeing the scope of its operations as an independent air carrier restricted. It is interested only in seeing them developed and enlarged.

Very truly yours,

/s/ H. J. Roig

2197 d

PAA-5553

[fol. 508]

GOVERNMENT'S EXHIBIT 215

PAA

PAN AMERICAN AIRWAYS, INC.

General Offices—Chrysler Building—New York City

November 4, 1941

Pan American-Grace Airways, Inc.

Chrysler Building,

New York, N.Y.

Attention of Mr. H. J. Roig, President

Dear Sirs:

We have your letter of October 9th regarding our service between Miami and the Canal Zone. We were surprised to note that you complained as to the accommodations

afforded to your traffic by this service. We have investigated the matter and we find that out of a total of 99 flights from the Canal Zone to Miami between February 13 and September 30, 1941, only 40 seats were refused your passengers on our service, while during the same period your reservations office released a total of 176 seats which had been allotted to it. We also find that during the same period you refused us space south of the Canal Zone for 55 passengers for whom we had available space on trips from Miami to the Canal Zone.

In the light of these figures it seems to us that if criticisms of this sort are to be made between partners at a time of acute shortage in equipment, such criticisms would more appropriately come from us than from you. This seems particularly evident when it is recalled that we came

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10/12/54

RLA

[fol. 509] to your assistance with a loan of equipment which was urgently needed on certain of our own operations and that we also released multi-engine transports to the British, at great sacrifice to ourselves, without calling on Pan American Grace to release their proportionate share of the System's contribution.

In this connection, we may say that we have always been somewhat puzzled as to the basis for the position apparently taken by the Grace interests that Pan American Airways was obligated to maintain operations between the United States and the Canal Zone with types of equipment vastly superior to those which the Grace interests have been willing to have the joint company acquire for its own use. This question, however, is in a sense academic, since Pan American Airways recognized many years ago that operations between the United States and the Canal Zone could best be conducted by 4-engine equipment. The S-42s were put on this run as early as 1937 at a time when the joint company was using S-43s. In the same year, Pan American Airways ordered the first 4-engine land aircraft with cabins, supercharged to permit flight at high altitudes

the Boeing S-307. When these aircraft were delivered, Pan American utilized them to provide service between the

Canal Zone and the United States, notwithstanding the fact that Pan American-Grace Airways continued to supply limited capacity south of the Zone to the detriment of both the company and the travelling public.

It is true, of course, that pending the improvement of a landing field between Miami and the Canal Zone, suitable
PAG-XP 66

[fol. 510] for regular use by the S-307, the capacity of these aircraft on this service has been limited by the long non-stop flight of 1,170 miles. This, however, is merely a temporary situation and happily, as you know, is about to be remedied by the availability of the new landing field at Camaguey. We note that in your letter you are at pains to reject in advance the inclusion of a stop at this point. There is no justification for this position. The inclusion of a stop at this point will permit the S-307s to carry some 1,350 additional pounds of payload on this service, and with this stop the route between Miami and the Canal Zone will be traversed in 6 hours and 55 minutes. We know of no such fast time over an equivalent distance made by our joint company. Furthermore, the use of this stop will still leave a non-stop flight mileage between Camaguey and the Canal Zone of 867.5 miles, a flight considerably longer than any maintained on the jointly owned company's service.

Any contention on the part of the Grace interests that the service between Miami and the Canal Zone must with present equipment be a non-stop service is utterly without basis. The direct connecting service referred to in the agreement of February 14, 1939, was a service by S-42s, including stops at Cienfuegos and Kingston, and the service with the S-307s via Camaguey will of course be far speedier than was the flying boat service via those points and over a shorter and more direct route. Indeed, your opposition at this time to the stop at Camaguey which will so greatly increase the capacity of aircraft destined to the Canal Zone, and in this manner will benefit the commerce

PAG-XP 67

[fol. 511] of the United States and the national defense, seems to us to throw significant light upon your letter.

Two other matters are mentioned in your letter, viz. a fourth service from Miami to the Canal Zone with which

your fourth trip might connect, and the possibility that at some future date you may inaugurate daily connecting services at the Canal Zone. These matters are the subject of a letter which Pan American Airways Corporation, one of your joint owners, addressed under date of October 22nd to W. R. Grace & Company, your other joint owner, a copy of which letter you already have. As stated in that letter, we have long since placed firm orders (involving substantial down payments) for suitable 4-engine equipment for operation of daily service to the Canal Zone and also for operations through Central America to the Canal Zone as well as between the United States and Barranquilla, with direct connecting service to the Canal Zone. You will also see from that letter that it is again urged that steps be taken to put the jointly owned company in a position at the earliest possible date where it can render a comparable service having sufficient capacity to move connecting traffic along the west coast to Santiago and Buenos Aires.

Without waiting, however, for delivery of the limited amount of 4-engine equipment which you have on order, we are prepared to enter into an agreement with you, subject to approval of the Civil Aeronautics Board, which would not only permit the exchange of such equipment if and when obtained, with our 4-engine equipment, but also in the meantime an arrangement for charter of our B-307s to you on certain of your operations. The charter of 307

PAG-XP 68

[fol. 512] equipment for use by our joint company on certain of its operations would permit a more efficient express service and the partial elimination of the traffic bottleneck which has so long existed with respect to your through traffic to all west coast countries other than Colombia. Enclosed is a draft of such agreement.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

EVAN E. YOUNG

Evan E. Young

Vice President

Enclosure

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[fol. 513]

GOVERNMENT'S EXHIBIT 216

PAN AMERICAN AIRWAYS CORPORATION

15 Exchange Place, Jersey City, N. J.

November 4, 1941

Mr. H. J. Roig, President,
Pan American-Grace Airways, Inc.
Chrysler Building,
New York City.

Dear Sir:

We have your letter of October 27th wherein you undertake to reply in part to our letter of October 22nd to W. R. Grace & Company.

We are very much surprised that you should take our statement that the services of Pan American-Grace "connecting with our service at Cristobal, should be speeded up and greatly expanded" and by distorting it make it a pretext for raising again the proposal that the operations of Pan American-Grace be extended north of the Canal Zone. We are hardly less surprised that, in answer to a suggestion that certain admitted defects in Pan American-Grace's service be remedied, you should bring into the discussion a great many other extraneous matters.

We do not propose to become involved in a discussion of any of these irrelevant matters or to bring up at this time matters relating to your management's operating policies. We will limit our comments here to the following:

(1) You must know that such an extension of Pan American-Grace's service would be directly contrary both to the agreement under which Pan American-Grace was formed and to the agreement made between its two stockholders on February 14, 1939, and

(2) You must also know that there is not the slightest reason to think that such an extension (which, with the limited number of 4-engine aircraft which Pan American-Grace has on order, could only be achieved

at the expense of service on the route for the operation of which the company was formed) would speed up through service between the United States and the Canal Zone which is now being operated by Pan American Airways with the fastest and most modern aircraft in use in any international operation anywhere in the world.

With respect to your version of the negotiations in regard to the exchange of 4-engine equipment, you are, at the least, badly confused. You state that you suggested "an arrangement along the lines of the Western Air/United Air Lines agreement under which Panagra might bring its equipment through to New Orleans and to Miami under Pan American's franchises."

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10-12-54

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[fol. 514] If you will read the Western Air/United Air Lines agreement you will see that your statement is self-contradictory. The Western Air/United Air Lines agreement was one for a reciprocal interchange of equipment. It was not a unilateral agreement whereby one company would operate its aircraft over the lines of another. From our standpoint the arrangement discussed was simply regarded as a constructive step in the development of air transportation to Latin America which would be in the public interest as well as to the mutual advantage of the parties.

The difficulty in any such arrangement was that Pan American-Grace had, and still has, no 4-engine equipment to interchange. It is for that reason that, as indicated in our letter of October 22, 1941 we would be willing, in order to alleviate the bottleneck on the northern part of Pan American-Grace's route, to permit Pan American 4-engine equipment to operate over that sector even before Pan American-Grace is able to reciprocate. Your characterization of such an offer, made in a spirit of good partnership, as indicating desire on the part of Pan American to take over the northern part of Pan American-Grace's route is

such an obvious distortion of the facts as to make us doubt whether the effort that has been expended on the proposed interchange of equipment has not been wasted.

Very truly yours,

PAN AMERICAN AIRWAYS CORPORATION

EVAN E. YOUNG (Signature)

Evan E. Young

Vice President

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[fol. 515]

GOVERNMENT'S EXHIBIT 217

November 7, 1941

Pan American Airways Corporation,
15 Exchange Place,
Jersey City, New Jersey

Dear Sirs:

Yours November 4th.

I greatly regret that the very personal tone of your letter leaves me no alternative but to reply in a personal sense.

I am not aware of having distorted anything or of having brought any extraneous or irrelevant matters into this discussion. My only interest in such matters has been to see fully and correctly stated those which you have introduced.

I do not know either of the propositions as stated in your indented paragraphs marked "(1)" and "(2)" to be correct. On the contrary, both are, in my opinion, incorrect.

I am neither badly confused nor self-contradictory with regard to the Western Air/United Air Lines agreement nor with respect to my view of the negotiations in regard thereto. After all, it was I who brought that agreement into the discussion as a possible way out of our difficulty. I never for a moment suggested an exact literal counter-

part of that agreement to meet our situation. In my conversations with Mr. Trippe, among other differences, I repeatedly pointed out that since what Panagra was interested in was a means of coming through to the United States I would not be interested in the reciprocal features of the Western Air United Air Lines' set up beyond the barest schedule convenience which might in the most extreme case involve operating Pan American planes as far south as Cali.

It so happens that I know exactly how this particular idea came under discussion, whose offer it was, how it was received and just what the discussion of it has been. The last three paragraphs of your letter under reply are obviously based on inadequate information regarding these matters.

Very truly yours,

(Sgd.) HAROLD J. ROIG
President

PAG-YP 72

10-12-54

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[fol. 516]

GOVERNMENT'S EXHIBIT 218

MQ TFK/PER

PERSONAL

NEW YORK,
January 5, 1942

Mr. T. J. Kirkland;
LIMA.

Dear Tom:

Attached herewith please find copy of my memorandum to Mr. Roig of January 3rd with regard to a possible fifth trip. I would appreciate your remarks.

With regard to your personal letter of December 31st which has just reached me, please advise whether your discussion with Dobbs indicated that nothing could be done to speed up the present 307 arrivals in the Canal Zone, now delayed because of the Army requirements for approach. I believe that we may be able to exert sufficient pressure on Panair at this end to see that they get away from Miami somewhat earlier in order to avoid the continuous over-nights in the Canal Zone on all 307 connections southbound.

Yours very truly,

H. R. Harris.

HRH/Q
Enc.

PAG-C-188

10/7/54

JCL

[fol. 517]

January 3, 1942

Memorandum to Mr. H. J. Roig:

With further reference to a possible fifth trip on Panagra as outlined in my memorandum to you of November 29th, I have discussed this matter with Pan American Airways on the basis that an additional Boeing 307 operation can be instituted from the Canal Zone to Miami northbound on Saturday and southbound on Sunday. This would mean that we would operate our fifth trip from Balboa to Cali Sunday afternoon; Cali/Lima on Monday; Lima/Santiago on Tuesday; Santiago/Buenos Aires on Wednesday, giving four direct connections from Miami to Buenos Aires via Panagra, arriving in Buenos Aires on Sunday, Tuesday, Wednesday and Friday. We also have a Thursday arrival in Buenos Aires which leaves Brownsville Sunday morning on regular Panair operation, or Sunday afternoon on the present Panair special operation which may be discontinued in February.

Northbound, our present schedules leave Buenos Aires on Monday, Wednesday, Thursday and Saturday. The present Wednesday departure is a one-day operation be-

tween Lima and the Canal Zone on Friday. This would be changed to Lima-Cali on Friday; Cali-Balboa Saturday to connect with the new 307 operation Balboa-Miami the same day. The fifth northbound trip could operate Buenos Aires-Santiago Tuesday; Santiago-Lima Wednesday; Lima-Balboa Thursday to arrive in Brownsville Saturday afternoon on regular Panair schedule, or Saturday morning on the present Panair special schedule.

An alternate northbound schedule would be to leave Buenos Aires on Friday instead of Tuesday, operating Santiago-Lima Saturday; Lima-Balboa Sunday which, if we could get Panair to change their present S-42 Miami-Barranquilla service to southbound Sunday and northbound Monday, would give us direct passenger service from Buenos Aires to Miami in 3½ days. From the standpoint of spacing of service for Santiago passengers northbound, the latter arrangement would be desirable since it would give Santiago departures direct for the United States on Tuesday, Friday and Saturday as compared with the present Tuesday, Friday and Sunday. There is, however, considerable merit in the idea of giving Buenos Aires a mail and passenger service to the United States on Tuesday.

If a fifth trip is to be operated as indicated above, the southbound leaving Balboa Sunday, the present U.S. mail pay and plane operation between Arequipa and Santiago on Monday would be transferred to Tuesday, and the pres-

PAG C-189

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JPL

[fol. 518] ent U. S. mail trip operated on Sunday Santiago-Arequipa would be transferred to Saturday provided it was decided to operate the fifth trip out of Buenos Aires on Friday. If the trip is made out of Buenos Aires northbound on Tuesday, the present Sunday mail trip would be transferred to Wednesday.

Assuming that Panair will agree to operate a 307 Balboa-Miami Saturday and Miami-Balboa Sunday, and shift their S-42 Miami-Barranquilla service to southbound Sunday and northbound Monday, it is recommended that the following steps be taken by Panagra:

- (1) Our present three basic trips and our southbound fourth trip be continued as at present.
- (2) The Corumba services to continue as at present.
- (3) The northbound fourth trip operate Friday Lima Cali instead of the present Friday Lima Balboa. This would then give a direct connection Cali Miami on Saturday.
- (4) Panagra to operate Balboa Cali Sunday, Cali Lima Monday, Lima Santiago Tuesday and Santiago Buenos Aires Wednesday which is the southbound leg of the fifth trip.
- (5) The northbound fifth trip to operate Buenos Aires Santiago Friday, Santiago Lima Saturday, Lima Balboa Sunday.

The net result of the above would give us five passenger services with a 3 $\frac{1}{2}$ -day schedule Buenos Aires Miami and four 3 $\frac{1}{2}$ -day passenger services Miami Buenos Aires. The additional southbound passenger service would require from 2:30 PM Sunday leaving Brownsville to 2:15 PM Thursday arrival Buenos Aires.

Certain changes in the trips to be paid Panagra by the Post Office Department would be required in connection with the above additional services offered. These will be the subject of a separate memorandum report.

The total additional flying by Pan American Airways in connection with this program would be one 307 roundtrip Miami Balboa per week (2336 miles). For Panagra the additional flying would be one DC-3 roundtrip per week Balboa Arequipa (4525.4 miles).

H. R. Harris.

HRH:Q

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[Vol. 519]

GOVERNMENT'S EXHIBIT 249

Operations

B

(Phoned Mr. Cooper

Washington, D. C.

request memo to W.O.S.

1/7/42

File)

January 6, 1942

J. T. T:

RE: PAA MIAMI-BALBOA SERVICE

(1) As you know, Pan-Grace is now operating four scheduled services per week into and out of the Canal Zone. It is putting on an additional service, making five in all, in the immediate future and is definitely planning on operating a sixth weekly service so soon as possible.

(2) We are as you know operating a thrice weekly service Miami-Balboa, and can put on an additional round trip service (307) at any time. The only way however that a fourth service can be operated is to have a plane which makes the southbound trip on Saturday (and overnights at Balboa) return on Saturday to Miami, and then make a round trip on Sunday. It is my understanding, though I may be in error, that the U. S. Post Office Department has no funds with which to accord us mileage pay for the fourth trip, and that it is not inclined to ask for additional funds for that purpose. I am however bringing to your knowledge the fact that we can operate a fourth Miami Balboa service because (1) of the action of Pan-Grace in augmenting its services into the Canal Zone and (2) the action of W.R. Grace & Company in applying for a certificate for Pan-Grace for the route Canal Zone-Miami, or other point.

E. E. Y.

PAA 157

12-1-54

PJS

[fol. 520]

GOVERNMENT'S EXHIBIT 220

W. R. GRACE & CO.
7 HANOVER SQUARE, NEW YORK

Office of the President

April 27, 1942

To the Civil Aeronautics Board,
Washington, D. C.

Dear Sirs:

Pan American Grace Airways, Inc. has become one of the foremost air carriers in the world. Its route comprises not only one of the longest but also one of the strategic international air routes. As a result of competent and experienced management and operating organization, Pan American Grace Airways, Inc. has attained a stature which not only justifies but requires its existence as a completely independent air carrier. At the present time its ability as an independent air carrier to fulfill its obligations to the public, and to the Governments of the United States and the eight South American countries which it serves, is being suppressed and its growth and development are being restricted by Pan American Airways Corporation, one of its own stockholders, in order that such developments may not interfere with Pan American's own interests and conflict with its own supposed monopoly of foreign air transportation.

Facts constituting the basis of this allegation are set forth in the memorandum submitted herewith. We stand ready to submit to the Civil Aeronautics Board such further information as may be required by it in making a full and complete investigation of the matters referred to herein.

We have long hesitated to place this matter before you, hoping that some other solution might be possible; but we have been reluctantly forced to the conclusion that there is no other way of remedying the existing situation. The

urgent war needs, the need for better service, for economy of men and equipment, and for erasing the obstacles and impediments to these accomplishments, the need to extend and make more valuable and effective the great organization which Pan American-Grace Airways, Inc. has built up, and to give it full opportunity to render the service to the nation which it is highly competent to render and anxious to perform:—these urgent needs, as well as the long-range interests of the line itself, make it impossible to leave unremedied the difficulties under which Pan American-Grace Airways, Inc. has so long labored.

We, therefore, respectfully request that the Civil Aeronautics Board require Pan American Airways Corporation to cease and desist from the matters and things complained [fol. 521] of and require Pan American Airways Corporation to divest itself of its ownership of the stock in Pan American-Grace Airways, Inc. to such extent as may be necessary to divest itself of its present negative control of Pan American-Grace Airways, Inc., all in accordance with and as required by Section 411 of the Civil Aeronautics Act of 1938, and Sections 18 and 21 of the Clayton Act (Title 15, U. S. Code) and we further respectfully request that the Civil Aeronautics Board consider and grant the petition dated December 16, 1941 (Docket No. 707) and amend the Certificate of Public Convenience and Necessity of Pan American-Grace Airways, Inc. so as to name a point within the United States as a terminal of the route of Pan American-Grace Airways, Inc.

Respectfully submitted,

W. R. GRACE & Co.

By D. S. Iglehart

D. S. Iglehart
President

[fol. 522]

GOVERNMENT'S EXHIBIT 221

Camaguey

May 29, 1942

Mr. George L. Riht,
Pan American Airways,
Chrysler Building,
New York City.

Dear George:

The more or less continuous record of delayed schedules in the Miami/Balboa service indicates that much still remains to be done at Miami to facilitate prompt dispatch and that the Camaguey stop is definitely making a bad matter worse without any real advantage as even the contemplated additional payload seems to be frequently unavailable on account of the necessity of carrying additional gasoline because of weather conditions making the stop at Camaguey impractical. Experience has shown that the average time required for the Camaguey stop is far in excess of your expectations as indicated to the CAB when the stop was authorized.

It seems clear, therefore, that the time has come to discontinue the Camaguey stop and to take such steps in connection with Miami dispatch as will permit of schedule departure,—including such changes as may be necessary to insure dispatch of the Rio plane without its holding up departure of the Balboa plane.

Very truly yours,

PAG-XP 87
10-12-54
RLA

[fol. 523]

GOVERNMENT'S EXHIBIT 222

PAA

Camaguey

PAN AMERICAN AIRWAYS SYSTEM

General Offices, Chrysler Building, 135 East 42nd Street,
New York, N.Y.

June

5

1942

Office of

G. L. Rühl, Vice-President

Mr. Harold J. Roig

President

Pan American-Grace Airways, Inc.

c/o W. R. Grace & Co.

7 Hanover Square

New York City

Dear Harold:

I am sorry I have delayed answering your letter of the 29th, regarding the Miami-Balboa service.

I have just looked up the schedules from May 16th through June 3d inclusive, and find that out of the nineteen flights only three were more than thirty minutes late, 3 of which one was more than an hour late, but this 6 was due to mechanical trouble. Six flights were from 7 twenty to thirty minutes late, and seven were less 3 than twenty minutes, the remaining three being on, or ahead of, time. I think you will agree that the operation has been greatly improved, and considering all the elements involved is not bad and hardly justifies the elimination of the Camaguey stop. We do have a considerably increased pay load southbound, which should be of benefit to Pan American-Grace.

It may be of interest to you to know that we begin loading the plane at four o'clock in the morning in order to avoid possible delays due to inspection of baggage, etc. Of course, we still cannot leave without the mail, although we do not have to wait for E.A.L. mail as that is all censored. A couple of times when we have been late leaving it has

been due to the late arrival of the mail from Miami, for which we hardly can be blamed.

I think you will find my information correct.

Yours faithfully,

/s/ GEO. L. RIHL.
Geo. L. Rihl

Mg 12E

Missed connection Mg 31—mechanical trouble

PAG-XP 88
10-12-54
RLA

[fol. 524]

GOVERNMENT'S EXHIBIT 223

Camaguey

June 11, 1942

Mr. George L. Rihl,
Pan American Airways,
Chrysler Building,
New York City

Dear George:

Yours June 5th.

I am very glad to note improvement in Miami/Balboa service. The improvement is, of course, pretty recent but I hope it may continue. In any event, I agree with you that so long as present schedule performance is maintained, we may well defer consideration of the elimination of the Camaguey stop.

The thing I am primarily concerned with is, of course, that our passengers, mail and express should not be required to overnight in Balboa. Nevertheless you appreciate that even twenty or thirty minutes delay in the arrival of

your plane is not unimportant. The time available for the transfer at Balboa in order not to overrun our deadline, is not excessive. When your plane arrives late we have just that much less time in which to handle the transfer which means that we have not only lost all the advantage of the one hour's extra time made available by U. S. War Time but must also manage somehow to save at our end the additional time which has been lost in Miami or en route to Balboa. For example, while I find that between May 12th and June 4th we were required to overnight only once on account of delay in your arrival, it is a pretty safe guess from the number of moderately late arrivals mentioned in your letter, that many transfers had to be made very expeditiously indeed to avoid overnight stay. I trust, therefore, that the progress indicated by your letter may be continued to the point when even these twenty and thirty minute delays may be substantially reduced.

Very truly yours,

PAG XP 89.
10-12-54
RLA

[fol. 525]

GOVERNMENT'S EXHIBIT 224

June 13, 1942

Vice Pres Young	NY	
President (Pan-Grace)	NY	Manager Vice Pres. Rihl
Vice Pres Harris	NY	
		Eastern Division Executive
operations		Miami New York

MIAMI-BALBOA SERVICE

I have a letter from Mr. Roig calling my attention to the fact that while there has been an improvement in our performance we should constantly keep in mind the fact that

the Pan-Grace connection is at best close, and that even a twenty minute delay might cause them to have to over-night at Balboa, which naturally is very undesirable at the present time, particularly in view of the available accommodations. I know that you realize the closeness of the connection, but I thought it just as well to bring it to your attention again in order that Operations might bear in mind that while a twenty minute delay is not ordinarily serious, it can be in this particular instance.

Geo. L. Rihl

804

PAA-153

12-1-54

TJS

[fol. 526]

GOVERNMENT'S EXHIBIT 225.

June 18, 1942

Vice Pres Young	NY	Manager	Vice President Rihl
		Eastern Division	Executive
operations		Miami	New York

MIAMI-BALBOA DELAYS

I was very much interested in reading Mr. Critchley's memorandum to you of June 15th, on the above mentioned subject. It is very apparent that you are making a great effort to maintain schedules.

Considering the length of the operation, twenty or thirty minutes after scheduled arrival time should not be judged a bad operating performance, and would not be, under ordinary circumstances. I realize perfectly that the connecting schedule of Pan American-Grace is too tight, but there is nothing to be done about that, for reasons you know.

In checking over the causes of the delays I note that there are five serious ones, due to maintenance trouble. That does seem to me a fairly high percentage for a month's operation. Operations certainly cannot be blamed, but unless we are getting a tremendously high use out of the 307th it would seem to me Maintenance difficulties ought not to be responsible for 33% of the departures more than thirty minutes late out of Miami.

I also note that dispatching the Rio ship has a high percentage. It would seem possible that the Balboa ship could be given preference, and is, in the timetable. You can readily see that delaying Balboa passengers, or the ones destined for the West Coast, due to our favoring the East Coast operation could cause criticism that might be difficult to explain. As a matter of fact, it has already been called to my attention.

If we can better our performance for the two above mentioned causes I don't believe we will have any more trouble.

Geo. L. Rihl

GOVERNMENT'S EXHIBIT 226

PAA MEMORANDUM

Send Original By	DATE	July 7, 1942
TO Vice President Young	FROM	Manager
DEPT. Executive	DEPT.	Eastern
OR DIV.	OR DIV.	
LOCATION New York	LOCATION	Miami
Std. Form 9-29 B Copy sent Friendly 7/9/42		

Received by E.E.Y.
JUL 8 1942
/s/EEY

SUBJECT: STATUS OF ARRIVALS BALBOA 307'S
REFERENCE:

With the thought of keeping you informed concerning the success of our combined efforts to eliminate delays in arrival of our 307's in Balboa, we are attaching hereto a summary of arrivals with pertinent comment relative to the cause of delays. There has been a marked improvement over our record for the month of May and, while a repetition, we are repeating at this time a comparison of the average of arrivals in Balboa for the period February to June inclusive:

February	1 hour 23 minutes late
March	1 hour 31 minutes late
April	41 minutes late
May	37 minutes late
June	25 minutes late

It seems pertinent to mention that during the month of June our aircraft arrived in Balboa on 9 occasions on time or ahead of time, whereas 4 delays were of less than 15 minutes duration; 13 from 15 to 30 minutes; 3 from 30 to 45 minutes; and 2 over 45 minutes.

In our memorandum of June 8 we outlined the action that was being taken to minimize and eliminate delays, and there is very little which can be added in this respect other than to state that this important matter is continually under study in order to obtain closer adherence to schedule.

Insofar as July is concerned, the results to date appear rather encouraging. For your information we are indicating the pertinent data for the trips July 1 to 6 inclusive:

July 1	28 minutes ahead of schedule
2	23 minutes late
3	20 minutes ahead of schedule
4	4 minutes ahead of schedule
5	34 minutes ahead of schedule
6	27 minutes late

encl.

/s/ W. O. SNYDER

W. O. Snyder

cc: 1 extra for Vice President Young, New York (encl)
 Operations Manager, Miami (encl)
 Division Traffic Manager, Miami (encl)
 Vice President Rihl, New York (encl)

PAA-137

12-1-54

PJS

804

Show copies in above space, giving name or title,
 location, and mailing instructions

GOVERNMENT'S EXHIBIT 227

PAA MEMORANDUM

Send Original By	DATE	August 4, 1942
TO Vice President Young	FROM	Manager
DEPT. Executive	DEPT.	Eastern
OR DIV.	OR DIV.	Division
LOCATION New York	LOCATION	Miami
Std. Form 9-29 B 8/7 Reply		

Received by E.E.Y.

AUG 5 1942

File

Referred to

SUBJECT: STATUS OF ARRIVALS BALBOA 307'S

REFERENCE:

Pursuant to our recently established policy of reporting at the end of each month on the success of our efforts to adhere to our Miami-Balboa schedule with particular reference to arrivals at the latter point, we are attaching hereto a statement covering the month of July, indicating comparison of arrivals to published schedules with a brief comment regarding any delays concerned.

We feel that we have made considerable progress during the month of July, as our planes arrived at Balboa on time, ahead of time, or less than five minutes late on eighteen occasions; between five and ten minutes late, twice; fifteen to thirty minutes late, four times; thirty to forty-five minutes late, twice; and over forty-five minutes late, five times.

While the average delay for the month of June was twenty-eight minutes, for the month of July it was thirty-six minutes; however this was brought about by lengthy delays on several different occasions, which you will note from the enclosure.

All concerned here are carefully following the scheduled performance over the Miami-Balboa sector and we would be interested in knowing if the improvement to date in any way reduced the complaints from the connecting carrier.

/s/ W. O. SNYDER
W. O. Snyder

cc: 1 extra for V. P. Young, NY (encl)
Vice President Rihl, NY (encl)
Operations Mgr., Mia (encl)
Div. Traffic Mgr., Mia (encl)

804

PAA-133
12-1-54
PJS

Shop Copies in Above Space, Giving Name or Title,
Location, and Mailing Instructions

[fol. 529]

GOVERNMENT'S EXHIBIT 228

August 7, 1948 EEY:RB

Manager	Vice President	
Eastern	Executive	
Miami	New York	operations

STATUS OF ARRIVALS BALBOA 207'S.

Your memorandum of August 4th.

Referring to the last paragraph of your memorandum, no complaints from Pan American Grace Airways regarding this matter have been made for quite some weeks past.

I do hope that it will be practicable for the Division to keep up the good record made of recent months, and possibly even improve it.

Evan E. Young

Vice President Rihl-NY
Extra copy for Div. Mgr. Miami

804

PAA-132
12-1-54
PJS

GOVERNMENT'S EXHIBIT 229

Minutes of Adjourned Regular Meeting of the Board of Directors of Pan American-Grace Airways, Inc. held at the office of Pan American Airways, Inc., 135 East 42nd Street, New York, N. Y. on the 22nd day of September, 1942 at 2:30 o'clock in the afternoon.

PRESENT:

Messrs. W. F. Cogswell,
A. Garni,
H. Preston Morris
R. H. Patchin
G. L. Rihl
Harold J. Roig
J. T. Trippe
E. E. Young

being all of the members of the Board.

Mr. Roig, President, presided. Mr. Cogswell, Secretary, acted as such.

Mr. Garni moved the following resolution which was seconded by Mr. Patchin:

RESOLVED that the President of the Company is hereby authorized to retain Counsel to represent the Company in connection with CAB Order Docket No. 779 dated September 10, 1942 and to take all necessary action to present to the CAB the Company's position with respect to said order to the end that the CAB authorize and require the amendment to the Company's Certificate of Convenience and Necessity in the manner referred to in said Order, U.S. terminals to be Miami and such other terminal as may be agreed upon between Mr. Roig and Mr. Rihl or, failing such agreement, by the CAB.

Vote being had said resolution failed to pass, Messrs. Roig, Garni, Patchin and Cogswell voting in favor and Messrs. Trippé, Young, Rühl and Morris voting against.

Mr. Young stated that the proposal of the Grace interests that Pan American Grace should apply for a certificate of convenience and necessity, between the Canal Zone and [fol. 531] the continental United States had been discussed so often and at such length by the parties that no useful purpose would be served by further extended discussion. However, he desired briefly to state for the record:

1. Pan American Grace now operates on the west coast of South America and across the Andes. Its only American flag competitor is the Grace Steamship Line, competition for air traffic between the United States and Buenos Aires being nominal. It enjoys end-on connecting services at the Canal Zone furnished by the three trunk lines of Pan American Airways across the Caribbean and through Central America. The best interests of the Company require that its energies should be devoted to the intensive development of this important route, utilizing fully the technical, sales and traffic organizations of Pan American Airways; and that its energies should not be dissipated by attempted extensions into territories already served by Pan American.

2. An extension of the route of Pan American Grace Airways from the Canal Zone to the United States would bring it into direct competition with the routes which Pan American Airways, 50% owner of Pan American Grace, has operated for more than 13 years and for which it holds a certificate of convenience and necessity, as well as with the northern portion of the route of the Grace Steamship Line. Such a situation would be directly contrary to the public interest, as recently enunciated by the Civil Aeronautics Board, which said that there would be "inherent in such an arrangement, the possibility, where the interests of air and steamship transportation come into conflict, that an impasse would be reached concerning the policies of [fol. 532] the joint company which might obstruct or retard its activities and the development of air transportation."

3. Pan American-Grace Airways, in view of its obligations to the War Department and on its own route, has neither the equipment, the personnel nor the facilities required for even a limited twin-engined service between the Canal Zone and the United States. The proposal is therefore wholly academic.

4. The proposal is contrary to the basic agreement between Pan American Airways Corporation and W. R. Grace & Co. under which the two companies associated themselves to form Pan American-Grace. This agreement provided that the Company was to operate "on the route from the Panama Canal to Valparaiso," that Grace was to have an option to acquire an interest therein not to exceed more than 50% of the total capitalization, and that Pan American was to have charge of the operation. A departure from this basic agreement of the two stockholders has not and cannot be made without their agreement, and is outside the appropriate scope of action by the directors.

Mr. Trippe, Mr. Rihl and Mr. Morris concurred in these views.

Mr. Garni then made the following statement in which Messrs. Roig, Patchin and Cogswell concurred:

"I quite agree with Mr. Young's statement that no useful purpose will be served by extended discussion at this time. I will not attempt therefore to state our position fully.

"It does seem to me, however, that the position taken by Messrs. Young, Trippe, Rihl and Morris overlooks the fact that the matter is before this meeting in quite a different light than at any previous time. The CAB has by its [fol. 533] Order in Docket 779, made this company a party to a proceeding instituted by the CAB and in our opinion it is plainly the company's duty to appear in this proceeding and present its case from its standpoint as an independent entity. The object of my resolution is to enable the company to do this. The effect of the vote of Messrs. Trippe, Young, Rihl and Morris is to make this impossible. The CAB by its Order in Docket 778 has instituted an investigation of the entire situation in the Caribbean area on the ground that there exists in that area "a serious shortage of transportation facilities due to the war, which may

adversely affect the national defense and the relations of the United States with Latin American countries." The Order invites anyone able to do so to apply for temporary certificate to operate in this area to assist in relieving this war emergency. It seems to me that it is the duty of this company to respond to this invitation to the limit of its ability with due regard to its other obligations.

"Commenting seriatim and very briefly on the four points raised by the Pan American Directors, I would merely like to say:

1. The relevancy to the present resolution of the reference to the Grace Line in this and in the next paragraph is not apparent. Competition for air traffic between the United States and Buenos Aires is not nominal and will become increasingly important. Panagra is devoting and will devote its energies to the intensive development of its main route as it has in the past. In doing this experience shows that it can count on very little constructive assistance from Pan [fol. 534] American Airways. We believe that extension of the company's route to a terminal or terminals in the United States is in no way inconsistent with the development of its present route but is essential to such development; that such extension is in the best interests of the company and in the public interest and that the company should present its position in this regard to the CAB in response to its Orders in Dockets 778, 779 and should offer any services within its power to the CAB to meet the war emergency.
2. There is nothing in the instant situation comparable to that before the CAB in the decision to which Mr. Young refers. The CAB with all the facts before it can determine the principles applicable to the present problem.
3. The statements in this paragraph are incorrect. Mr. Rihl, after a complete study, has stated to this meeting that it is entirely possible for Panagra to undertake, commencing now, three trips per week with a DC-3 airplane between Balboa and Miami. This service,

if begun now under the Order in Docket 778 may or may not have to be interrupted later owing to the company's obligations to the Air Transport Command depending on the time when the Air Transport Command is able to make equipment available to the company for this service. It is entirely possible that we may be able to run both services. Our feeling is that in view of the war emergency referred to in No. 778 the company should submit all the facts to the CAB and indicate its willingness to be of such help as it [fol. 535] can with due regard to its other obligations and that it should not totally decline any offer of assistance. As far as No. 779 is concerned that does not in any case contemplate immediate operation and there is no reason whatever to suppose that any Order of the Board issued in this proceeding will not afford ample opportunity to the Company to provide any equipment, personnel and facilities which may be necessary.

4. The proposal is not contrary to any agreement between W. R. Grace & Co. and Pan American Airways Corporation and the matter is not one to be determined by the stockholders of Panagra rather than by its directors. By agreement between W. R. Grace & Co. and Pan American Airways dated February 24, 1939 it is provided that if the Pan American connecting service between Miami and the Canal Zone is at any time inadequate Panagra shall be permitted to apply to the CAB for a certificate to operate this connecting service. Under this agreement the Pan American directors are clearly obligated to vote in favor of the resolution.

Messrs. Trippe, Young, Rihl and Morris dissented from the views expressed by Mr. Gurni for the reasons set forth in the above statement made by Mr. Young. Mr. Rihl thereupon moved the following resolution which was seconded by Mr. Young:

WHEREAS, the Civil Aeronautics Board has instituted a proceeding known as Docket No. 779, to de

termine whether the public convenience and necessity require that the certificate of public convenience and necessity of Panagra should be altered, amended, and modified to authorize and require (a) that Panagra's route terminate in the United States at Miami or (col. 536) Tampa, Florida; New Orleans, Louisiana; Brownsville or El Paso, Texas; Los Angeles, California; or at two or more of said points; and (b) in the event a terminal or terminals in the United States are authorized and required pursuant to this proceeding, that Panagra serve one or more intermediate points between the Canal Zone and said terminal or terminals in the United States"; and

WHEREAS, the Board has made Panagra as well as Pan American Airways, Inc. and W. R. Grace & Co. parties to the said proceeding; and

WHEREAS, half of the capital stock of Panagra is owned by Pan American Airways Corporation and half by W. R. Grace & Co., and four of the directors of Panagra are officers of Pan American and the other four are officers of Grace; and

WHEREAS, an amendment of the certificate of public convenience and necessity of Panagra so that Panagra's route should terminate in the United States is favored by Grace and by the four directors of Panagra who are officers of Grace, and is opposed by Pan American and the four directors of Panagra who are officers of Pan American; and

WHEREAS, while in view of the foregoing Panagra as a corporation is not authorized to take any position in the said proceeding, it nevertheless requires the services of counsel, in order that all relevant facts desired by the Civil Aeronautics Board or by the parties to the proceeding may be elicited.

NOW, THEREFORE, BE IT

RESOLVED, that

1. If the retainer by Panagra of Gerhard A. Gessell, Esq. of Washington, D. C., for \$2 he shall be

unavailable, such other attorney as may be approved by Harold J. Roig, President, and [fol. 537] by either George L. Rihl (Vice President, of Panagra, or E. E. Young, Director of Panagra) to represent Panagra in C.A.B. Docket No. 779 be and the same hereby is authorized and approved;

- (2) the two said officers of Panagra shall jointly request counsel to act and shall inform counsel that the proposed retainer is pursuant to this resolution of the Board of Directors;
- (3) counsel shall be instructed that he is not to take any position in respect of the merits of the said proceeding, but that he shall see to it that all relevant information in the possession of Panagra which may be desired by the Civil Aeronautics Board or by the parties to the said proceeding, is made available to the Board and such parties, respectively, under such reasonable limitations as counsel may deem necessary in the interests of Panagra; and that counsel shall report to the said Harold J. Roig and the said George L. Rihl (or in the absence of said George L. Rihl, the said E. E. Young) jointly, shall act only on their joint instructions, and in the event of any difference of opinion between them shall report for instruction to the Board of Directors.

Vote being had on the above resolution same was passed. Messrs. Roig, Garni, Patchin and Cogswell in voting in favor of the resolution stated that Mr. Garni's resolution represented their views in the matter but they were voting in favor of Mr. Rihl's resolution in a spirit of compromise and to avoid a deadlock but without any implication from the preambles to said resolution that Panagra is not an independent entity or any implication except for the purpose of this resolution that Panagra should take merely a neutral position in the proceedings.

On motion of Mr. Garni, and seconded by Mr. Patchin, the following resolution was moved:

RESOLVED, that the proper officers of this corporation are hereby authorized to file application pursuant to Order of the CAB in Docket 778 dated September 10, 1942 for a temporary Certificate of Convenience and Necessity for operation between Miami and Balboa subject to our commitments to the Air Transport Command, under advice to the Air Transport Command, and to retain Counsel and take all steps necessary in the premises; said application to the CAB to contain full statement of our equipment and personal position with respect to our ATC commitment and to our other services.

[fol. 538] Vote being had, said resolution failed to pass, Messrs. Roig, Garni, Patchin and Cogswell voting in favor and Messrs. Trippe, Young, Rihl and Morris voting against.

Mr. Rihl stated that he desired to have recorded in the minutes a statement in explanation of his vote against the resolution just voted on.

He said that, in addition to the various fundamental objections which had been stated by Mr. Young on the resolution offered by Mr. Garni at the meeting of September 22 with reference to the permanent amendment of the certificate of Pan American Grace in C.A.B. Docket No. 779, the comment made by Mr. Young as to the lack of equipment, personnel and facilities on the part of Pan American Grace was peculiarly applicable to the temporary service covered in Mr. Garni's last resolution.

He stated that there had been no effort on the part of Mr. Roig and his associates to deny that if the Air Transport Command delivers planes in November and December of this year,—which was a month later than originally agreed to and which Mr. Rihl had confirmed to be the intention of the Air Transport Command—the lack of crews would make it impossible for Pan American Grace to operate the planes to which it was committed even though the proposed temporary service were to be suspended. Fifteen additional crews would be needed for the Transport Command planes. As against this the Operations Department of Pan American Grace has stated that it expects

to have two additional crews ready on December 1st, and four on January 1st with three others by the first of February—or six less than will be required for the Transport Command planes by the end of December.

[fol. 539] Moreover, from information submitted to the meeting it can be said without contradiction that the load factor of the Company is very high, averaging 75%, and between Balboa and Cali well over 90%, from the latest figures available. While high load factors are common under present conditions, it does seem plain that a company in the position of Pan American-Grace, i.e., unable to acquire additional commercial flight equipment and with limited available pilot personnel, should not think of taking on additional commercial commitments in new territory. This would seem particularly true when there is every indication that additional traffic will have to be handled by the Company immediately on its own route. Pan American Airways is doubling its commercial services to Balboa, and while a part of the traffic on this increased service will be local to the Zone, the remainder that will be destined to or originate at points on the West Coast cannot be handled except by increased utilization of the present equipment available to the Company,—particularly because of the limited capacity on the "bottle-neck" between the Canal Zone and Cali. A three times a week service to Miami, which would have to be terminated in any event upon delivery of the Air Transport Command aircraft, would be of much less value to the war effort than the greatest possible utilization of the equipment and facilities available to the Company on its certificated route to meet acute traffic demands.

In the light of the above facts, the statement of Mr. Roig and his associates that they hoped and felt that some way could be found to continue the temporary service as well as operate the planes that are to be delivered by the Air Transport Command appears to be simply wishful thinking. [fol. 540] Mr. Rihl stated that, believing that the facts in this statement were not subject to dispute, he felt that the only possible basis for Mr. Garn's resolution was a desire to extend the operation of Pan American-Grace to a

terminal in the United States without awaiting the decision of the Civil Aeronautics Board on that question in the proceeding (Docket No. 779) which had been initiated by the Board for that very purpose.

Messrs. Trippe, Young and Morris concurred in this statement.

Mr. Rihl asked that the letter of the Air Transport Command dated July 21, 1942; and the letters of Mr. Roig and Mr. Campbell to the Air Transport Command dated July 22 and August 6, 1942, be made part of the record of this meeting. Such letters are as follows:

**"ARMY AIR FORCES
HEADQUARTERS FERRYING COMMAND,
WASHINGTON**

July 21, 1942.

"Pan American-Grace Airways, Inc.,
Attention: Mr. Douglas Campbell, Vice-President
New York, N. Y.

Gentlemen:

In connection with the plan of the Army Air Forces to utilize to the fullest extent possible the personnel and facilities of the civil air carriers, we would be interested in the operation by your company of services between Miami and Canal Zone, via Cozumel Island and Puerto Cabezas.

On the basis of present equipment figures, it is believed that three C53 or C47 aircraft can be assigned to this service in the month of October, with an additional two aircraft in the month of November. On that basis, one round trip should be available in the month of October and two round trips per day in the month of November.

It is expected that you would take responsibility for the maintenance of aircraft assigned to you and for the flight operation of such aircraft. Please inform us if maintenance facilities can be provided for such pur-

[fol. 541] pose and if flight crews sufficient for the operation can be made available by the dates given.

For the Commanding General:

C.R. Smith, Colonel, AUS
Chief of Staff
The Air Transport Command

PAN AMERICAN-GRACE AIRWAYS, INC.
NEW YORK

July 22, 1942.

Commanding General
Air Transport Command
Washington, D. C.

Attention: Colonel C. R. Smith, Chief of Staff

Sir:

We beg to thank you for yours of July 21st and to advise that we will be glad to undertake the service between Miami and the Canal Zone via Cozumel Island and Puerto Cabezas.

We are in a position to make use of existing maintenance facilities at Miami and the Canal Zone and to provide such facilities at other necessary points.

We are entirely confident that flight crews sufficient for the operation can be made available by the dates indicated in your letter.

Awaiting your further instructions, we are

Respectfully yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

(signed) H. J. Roig
President.

[fol. 542]

GOVERNMENT'S EXHIBIT 230

October 28, 1942.

L. Welch Pogue, Esq., Chairman,
Civil Aeronautics Board,
Washington, D. C.

Dear Sir:

We wish to confirm our position taken at this morning's conference.

We accept your suggestion in principle and, for the duration of the war, agree to the immediate addition to Panagra's Board of an odd director (satisfactory to both stockholders) who might also serve as Chairman of the Board, with the understanding that this individual will be free to decide independently and without limitation, and on the basis of Panagra's being an independent entity, all matters involving Panagra's operations with regard to which the Pan American and Grace directors may be unable to agree. Such an arrangement accomplished the same purpose as establishing a voting trust along the lines you suggested, while being less complicated and more easily put into effect.

For reasons pointed out this morning, the suggestion of Pan American that there be an odd director appointed, who would only have "power to break any deadlock on any questions arising in connection with operations of the company that fall within the scope of the dedication of capital made by the two stockholders" begs the entire question. Grace and Pan American are not in agreement as to what is the proper scope of the company's operations, and fourteen years' experience has shown that such deadlocks as arise almost invariably revolve around this very issue which Pan American Airways wishes to exclude from the jurisdiction of the odd director.

Very truly yours,

W. R. GRACE & Co.

(signed) A. GARNI

First Vice President

Copies to: Pan American Airways Inc.
Pan American Airways Corporation
Henry Friendly, Esq.

GR-2522

11-1-54

RLA

G013035

[fol. 543]

GOVERNMENT'S EXHIBIT 231

Minutes of Annual Meeting of the
Board of Directors of Pan American-
Grace Airways, Inc. held at the office
of Pan American Airways, Inc., 135
East 42nd Street, New York, N.Y.
on the 27th day of April, 1943 at
3:30 o'clock in the afternoon.

PRESENT:

Messrs W F Cogswell
Howard B Dean
H P Morris
R H Patchin
H J Roig
E E Young

being a quorum of the Board.

Mr H J Roig, President of the corporation, presided.
Mr W F Cogswell, Secretary, acted as Secretary of the
meeting.

Mr. Cogswell nominated the following to be officers of
the corporation. Mr. Patchin seconded the nominations.
No other nominations were made.

Harold J. Roig	President
R. H. Patchin	Vice President
G. L. Rihl	Vice President
Douglas Campbell	Vice President
G. Vidal	Vice President and Comptroller
Thomas J. Kirkland	Vice President
John T. Shannon	Vice President
W. F. Cogswell	Secretary
J. S. Woodbridge	Treasurer
H. Preston Morris	Assistant Secretary

Mr. Young then made the following statement:

"The agreement between W. R. Grace & Co. and Pan American Airways Corporation, dated February 14, 1939, provides in part as follows:

"One of the Grace directors of Panagra (who shall also be a director of Grace) will be elected President of Panagra and placed in responsible charge of the management of the Company. If at any time the Company's affairs are not being conducted to Pan American's reasonable satisfaction, then the President will resign.

[fol. 544] The affairs of Pan American Grace Airways are not being conducted by the President to Pan American's reasonable satisfaction. The President has devoted himself to efforts to procure a compulsory extension of the route of the Company into an area beyond the scope of the original dedication of its capital. Such action, in the opinion of Pan American, would not only be contrary to the agreement under which the Company was formed but would be adverse to the Company's true interests. These efforts actually have as one of their principal objects the compulsory divestment of the interest of one of the two stockholders in the Company. Pan American cannot regard activities of this sort as consistent with the duties of the President.

Moreover, Pan American considers that Grace, both by its persistent refusal to submit to arbitration in compliance with paragraph 4 of the contract and by the general course of action which it has followed in the past eighteen months

has breached the agreement of February 14, 1939, so that Pan American is no longer obligated to comply therewith.

However, the agreement of February 14, 1939, may be terminated on or after February 1, 1944, which is prior to the next annual stockholders' meeting of Pan American-Grace Airways. By that time a decision may have been rendered in the proceeding (Docket No. 779) now pending before the Civil Aeronautics Board. Pan American believes that under these circumstances a dispute over the election of a president at this time would not be in the best interests of Pan American-Grace Airways, Inc. Accordingly, while the representatives of an American on the Board of Pan [fol. 545] American-Grace are unwilling to cast their votes for the reelection of Mr. Roig as President, they are attending the meeting for the purpose of furnishing a quorum and permitting the election of Mr. Roig by the directors representing W. R. Grace & Co. Messrs. Dean and Morris concurred in these views."

Mr. Roig thereupon made the following statement:

"In reply to Mr. Young's statement I would like to say simply that I have devoted my best efforts as President of this company to the administration of its affairs and to its sound development and progress.

In my honest opinion an extension of the company's route to a terminus in the United States is not beyond the scope of the company's purposes, nor contrary to the Agreement under which the company was formed, nor adverse to its true interests. On the contrary, in my judgment, such extension is in the public interest and in the best interests of the company. I cannot, therefore, consider such action as I have taken in this regard, which has not been activated by the ulterior motive suggested, to be inconsistent with my duties as President. Grace has not, in my opinion, breached the Agreement of February 14, 1939. I sincerely regret that the Pan American directors do not share these views."

Mr. Dean thereupon left the meeting. Vote being had, Mr. Roig was elected President, Messrs. Young and Morris refraining from voting.

[fol. 546] Mr Dean returned to the meeting and the remaining officers as nominated by Mr Cogswell were thereupon unanimously elected.

There being no further business, the meeting adjourned.

/s/ H. R.

Chairman

/s/ W. F. COGSWELL
Secretary

[fol. 547]

GOVERNMENT'S EXHIBIT 232

PAN AMERICAN AIRWAYS, INC
DIVISION MANAGER MIAMI
RECEIVED

JAN 6-1944

A.M.

[Date illegible]

CT13 NEWYORK JAN 6 1944 NPT

FOLLOWING IS FOR MR HOWARD B DEAN PAN AMERICAN AIRWAYS MIAMI FLORIDA FROM MR HAROLD J ROIG

CABLE JUST RECEIVED FROM LIMA STATES PAN-AGRA HAS RECEIVED NO UNITED STATES MAIL AT BALBOA FOR ON-CARRIAGE SINCE JANUARY SECOND STOP ASSUME THIS MEANS THAT DISRUPTION MIAMI BALBOA SERVICE WHICH BEGAN DECEMBER SIXTEENTH HAS NOW REACHED POINT OF COMPLETE SUSPENSION STOP WOULD APPRECIATE YOUR INVESTIGATING AND ADVISING ME AT ONCE REGARDING EXACT SITUATION AND WHAT SPECIFIC STEPS ARE BEING TAKEN TO REMEDY IMMEDIATELY STOP AS I TOLD YOU BY PHONE I CONSIDER THIS DISRUPTION CONNECTING SERVICE DIRECT RESULT OF FACT THAT PAN AMERICAN HAVE TAKEN ON ADDITIONAL SERVICES WHICH THEY WERE NOT IN POSITION TO UNDERTAKE IN VIEW EQUIPMENT AVAILABLE AND REQUIREMENTS MIAMI BALBOA SERVICE STOP THIS WAS POINTED OUT TO CAB

IN CONNECTION NEW ORLEANS ROUTE AND UNLESS 307 NOW ON THAT RUN RETURNED TO MIAMI BALBOA ROUTE AND OTHER NECESSARY ACTION TAKEN IMMEDIATELY TO RESTORE MIAMI BALBOA SERVICE FEEL THAT I SHOULD TAKE MATTER UP WITH CAB REQUESTING THEY TAKE NECESSARY ACTION TO GIVE THIS SERVICE PREFERENTIAL EQUIPMENT ASSIGNMENT TO WHICH IT IS ENTITLED STOP GIVING EVAN YOUNG COPY OF THIS MESSAGE

1533 HM

PAA-2785

12-17-54 PJS

814

[fol. 548]

GOVERNMENT'S EXHIBIT 233

PAN AMERICAN AIRWAYS SYSTEM

Office of
Evan E. Young, Vice-President

January

7

1944

Dear Harold:

I received yesterday a copy of your telegram to Howard Dean (in Miami) in regard to the Miami-Balboa service, which he has asked me to answer.

I am glad to advise you that the Martin M-130 departed from Miami Wednesday night on schedule, and we have every reason to believe that this schedule will now be maintained. If there should be any further difficulty with the Martin M-130 before the return of the Boeing 307s to service, we are making arrangements to operate the Miami Balboa service by temporary use of an S-42B, which is now operating to San Juan. The Boeing 307s will be returned to service within ten days to two weeks after receipt of new spars which are expected to arrive in Miami this week.

The difficulty with the service between Miami and Balboa is temporary and due to cause entirely beyond our control. That structural trouble should develop simultaneously in two of the 307s was a circumstance for which we can hardly

be held responsible. It was extremely fortunate that just at this time we had been able to re-purchase the Martin M-130 from the Navy, and although this plane had been re-acquired by us for use in quite different service, we immediately placed it on the Miami-Balboa run. The difficulty since January 2 to which you refer was due to the facts that this plane developed engine trouble, and we had not yet received from the Navy the necessary parts which would have enabled us to have available built-up engine mounts to effect an immediate engine change, in accordance with our usual procedure, and therefore were delayed in correcting the engine trouble. We have been and are endeavoring to expedite the delivery of such additional parts from the Navy.

We do not agree with the remarks in your telegram concerning the New Orleans service. The structural difficulties which developed with the 307s would, of course, have developed regardless of the routes on which these planes were operated. It is true that these planes have been intensively utilized, as I know you will agree that they should be, but our figures show that utilization since the inauguration of GR-2582

10-21-52 PJS

G-3509

[fol. 549] the New Orleans service has not been materially greater than during January and February 1943, when the planes were exclusively used in operating a second section in addition to the regular schedule between Miami and Balboa.

You may be sure that the matter referred to in your telegram is receiving *most earnest and continuous attention*, both in Miami and here.

Sincerely,

EVAN E. YOUNG (signed)

Evan E. Young
Vice President

Mr. Harold J. Roig
President

Pan American-Grace Airways, Inc.
7 Hanover Square
New York, N.Y.

GR-2583

G3509A

[fol. 550]

GOVERNMENT'S EXHIBIT 234

January 10, 1944

Mr. Evan Young
Pan American Airways
Chrysler Building
New York 17, N. Y.

Dear Evan:

Thank you for yours of January 7th and the news contained therein.

I understand that there has been no trip completed since Friday (January 7th) and that there is no indication when service will be resumed.

Referring to the next to the last paragraph of your letter, I am afraid my telegram did not make entirely clear what I had in mind. Granting the intensive use of equipment would have lead to difficulty with two of the three 307's wherever operated, my point is that, the third 307 which has developed no difficulty and which is now being operated on the New Orleans run should be transferred to the Miami/Balboa run. My reason for this is, or course, that the Miami/Balboa service is of much greater importance than the other and that this important and long established route should have equipment preference in an emergency like this over the New Orleans route which was established (whether providently or otherwise) only a few months ago.

Very sincerely yours,

GR-2584

10-20-54 PJS.

G 1559

[fol. 551]

GOVERNMENT'S EXHIBIT 235

W

March 13, 1944

8

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
7 Hanover Square
New York 5, New York

Dear Harold:

I wrote you on February 4th as to the desirability, in connection with the exhibits to be presented to the Civil Aeronautics Board in the pending Latin American certificate case, of providing for interchange of four-engine equipment between Pan American Airways and Pan American-Grace Airways at the Canal Zone.

The desirability of providing for such an interchange seems particularly clear in view of the express schedules which Pan American-Grace proposes to show in its exhibits.

As you know, the exhibits are due on March 30th and while I understand that an application for an extension of time may be made, the matter is one requiring prompt decision.

Yours very truly,

Howard B. Dean

cc: Vice Pres. Young
Vice Pres. & Treas.

cc: H. J. Friendly

PAA-2814
12-17-54 c
PGS

[fol. 552]

GOVERNMENT'S EXHIBIT 236

CABLE ADDRESS
"PANAGRA"

PAA GRACE

PAN AMERICAN-GRACE AIRWAYS, INC.

OFFICE OF THE PRESIDENT
7 HANOVER SQUARE
NEW YORK 5, N. Y.

March 21, 1944

Received
Mar 23 1944
H. B. DeanMr. Howard B. Dean
Pan American Airways
Chrysler Building
New York 17, N. Y.

Dear Howard:

Yours March 13th.

Your letter of February 14th was, by no means, overlooked. On the contrary, I have been considering the matter from a good many different angles. In this connection the testimony pro and con in Docket 519 is interesting.

As you know, my past experience under this heading has not been such as to lead me to believe that there is any possibility of working out a satisfactory basis.

It is rather difficult at this time to accurately weigh the merits and demerits of equipment exchange in connection with the Constellation without really knowing definitely what the schedules will be with this equipment and whether or not passenger schedules will be operated with sleeper planes.

Extension of Panagra's route to Miami would, of course, eliminate the whole question so far as Miami is concerned and would solve the problem in a way in which no equipment exchange can ever do.

Have you considered the question of equipment exchange to Brownsville, New Orleans, Los Angeles and/or possibly other gateways which may be opened as a result of various

applications now pending? Similarly, have you considered equipment exchange with domestic lines from the various gateways through to New York, Chicago, San Francisco and other important interior points?

These are by no means all of the angles I have been considering but they are enough to indicate to you that the matter has been having attention.

Sincerely yours,

H. J. R.

copied 2/24/44 for Vice Pres. Young.
H. J. Friendly

PAA-2810
12-14-54 PJS

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[fol. 555]

GOVERNMENT'S EXHIBIT 238

PAN AMERICAN AIRWAYS SYSTEM

General Offices, Chrysler Building, 135 East 42nd Street,
New York 17, N.Y.

Office of

Howard B. Dean, Vice-President

June 29, 1944

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
7 Hanover Square
New York 5, New York

Dear Harold:

During my recent trip to South America, two of Pan American's representatives on the Pan American-Grace board took up with you the question of the four-engined equipment which our joint company should plan to utilize for its future express services between the Canal Zone, Lima and Buenos Aires, with particular reference to the estimates in the pending *Latin American Certificate Case*, Docket 525 et al. They disclosed to you in confidence that Pan American Airways was planning to utilize, on certain

Latin American routes, four-engined land aircraft of larger and even more advanced type than the Constellation, and recommended that Pan American-Grace should plan to use this same type of aircraft for its express service between Balboa, Lima and Buenos Aires. These discussions were pending when, on May 18, 1944, all parties to the case were advised that the date for filing exhibits would be postponed to a date to be subsequently announced.

Now that exhibits are required to be filed on July 21, 1944, it is necessary to arrive at a prompt decision on this matter, as well as on the related subject of the through operation of equipment as to which I wrote you on February 4, 1944 and again on March 13, 1944.

Pan American's present plans include service to Balboa with the large equipment discussed, both from Miami and from Los Angeles as well as additional service from New Orleans with Constellation aircraft, all three of these connecting at Balboa with our joint company's express service.

In my judgment and in line with our past policy the way to keep the west coast service most effective is for Pan American-Grace to use the best possible equipment and where advisable in the interest of both parties make fair

PAG-X P 97

10-12-54

RLA

[fol. 556] and appropriate arrangements for its through operation. The Miami-Canal Zone-West Coast service seems to me an absolutely ideal situation for equipment interchange. In the light of the C.A.B.'s recent opinion, our joint efforts should be devoted to making Pan American-Grace the most effective possible "connecting carrier as to through traffic between the United States and South America"—to use the C.A.B.'s words.

If an arrangement for equipment interchange can also be made with the domestic airlines at Miami, so much the better; but I hardly think the present is the moment to take this up with them.

What we can do now is agree between us on this matter of equipment and interchange. In view of the early date

set for the exchange of exhibits, I am obliged to ask both that the subject matter of this letter receive immediate consideration and decision—and also, of course, that it continue to be treated on a confidential basis.

Sincerely yours,

/s/ HOWARD B. DEAN

Howard B. Dean
Vice President

cc: Mr. J. T. Trippe
Mr. Harrison Tweed
Mr. H. J. Friendly

PAG-XP 98

[fol. 557]

GOVERNMENT'S EXHIBIT 239

Cable
"Panagra"

PAN AMERICAN-GRACE AIRWAYS, INC.

Office of The President
7 Hanover Square
New York 5, N.Y.

July 5, 1944

2 copies sent
H.J. Friendly
7/12/44

Mr. Howard B. Dean
Pan American Airways
Chrysler Building
New York 17, N. Y.

Dear Howard:

Yours June 29th.

I am not entirely clear what you have in mind with reference to equipment interchange particularly in view of the next to last paragraph of your letter. You refer to your letters of February 4th and March 13th but do not refer to my reply of March 21st to which I have had no answer.

Mr. Friendly and Mr. Balluder discussed with me and Mr. Tweed, in confidence, the question of using a larger

type of ship on our express service. As they have doubtless reported to you, the subject was discussed from several angles without reaching a conclusion. Then came the adjournment and there it rests.

Perhaps it would be better if we deferred invoking the C.A.B. in this matter until we have their final word.

If results and time savings are desired, I suggest that we sit down right away and talk these matters out instead of writing letters. At the same time, I think things would be greatly facilitated if the "confidential basis" to which you refer were removed so that I might discuss the proposition with my associates. There is certainly no mystery about the plane under discussion and I am sure that open discussion will not prejudice Pan American in any conceivable way and will greatly facilitate prompt and correct decision by our joint company in a matter of such great importance.

Sincerely yours,

/s/ HAROLD J. ROIG

PAA-2811
12-14-54 PJS

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[fol. 558]

GOVERNMENT'S EXHIBIT 240

Equipment

PAN AMERICAN AIRWAYS SYSTEM

General Offices, Chrysler Building, 135 East 42nd Street,
New York 17, N.Y.

Office of
Howard B. Dean, Vice-President

July 20, 1944

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
7 Hanover Square
New York 5, New York

Dear Harold:

This is in reference to your letter of July 5, 1944 in answer to mine of June 29 on the subject of equipment interchange.

Accepting the suggestion in the last paragraph of your letter that "if results and time savings are desired,—we sit down right away and talk these matters out instead of writing letters," Henry Friendly and I met with you and your counsel, Mr. Tweed, at the latter's apartment on the afternoon of July 11. We presented to you at that time Pan American's program for equipment interchange with Pan American-Grace. We explained that what we had in mind was an interchange similar to that between United Air Lines and Western Express approved by the Civil Aeronautics Authority in its Docket No. 215, whereby each carrier's pilots operate the equipment on its own route, and revenues earned and expenses incurred in such operation are for the account of the carrier over whose route the equipment is being operated. You seemed to agree that such an interchange would be of advantage both in promoting the convenience of the travelling public and in reducing the number of four-engined aircraft that Pan American-Grace Airways would be required to purchase. You did not point out any respect in which such an equipment interchange would be anything but beneficial either to the public interest or to the interest of Pan American-Grace Airways.

Although you undertook to consider the matter and advise us promptly, ten more days have now gone by, and August 4, the date on which we and Pan American-Grace Airways, Inc., must submit our program for future air transport service in Latin America, is rapidly approaching.

I would be less than candid if I did not state that, in Pan American's opinion, the negative attitude which you have taken toward equipment interchange, both in the past and now, has been motivated, not by consideration of the

PAG-XP 100

10-12-54

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[fol. 559] true interests of Pan American-Grace Airways as "a connecting carrier as to through traffic between the United States and South America"—to use the words of the Civil Aeronautics Board—but by a fear that the very advantages that would accrue from making of such an

arrangement would have an adverse effect upon the ambitions of W. R. Grace & Co. to change the status of Pan American-Grace Airways. Manifestly, we cannot permit our interest in Pan American-Grace Airways to be jeopardized by such a point of view.

As to your discussing with your associates the large equipment which we have proposed for operation by Pan American-Grace, we stated to you on July 11 that we had no objection to your doing this on a confidential basis if you were yourself prepared to consider the type of equipment under discussion.

Also, if you or your associates are not prepared to accept the idea of equipment larger than the Lockheed Constellation on Pan American-Grace's Canal Zone-Buenos Aires express service, we would be willing to arrange for an interchange at the Canal Zone on the basis of Lockheed Constellation equipment, in spite of our belief that larger aircraft should be used, as a temporary measure, and with the hope that you and your associates will reconsider their views on the equipment problem.

May I ask that this matter receive your prompt consideration.

Sincerely yours,

/s/ HOWARD B. DEAN
Vice President

PAG-XP 101

[fol. 560]

GOVERNMENT'S EXHIBIT 241

Cable Address
"PANAGRA"

PAN AMERICAN-GRACE AIRWAYS, INC.

Office of the President
7 Hanover Square
New York 5, N.Y.

July 25, 1944

Mr. Howard B. Dean
Pan American Airways
Chrysler Building
New York 17, N. Y.

Dear Howard:

I really do not feel that your letter of July 20th is either accurate or fair. In the midst of preparation of Panagra's case in Docket 525, I have not the time to go into details but my omission to do so is not to be construed as an admission of any of the statements or conclusions in your letter.

The plan you and Mr. Friendly presented on July 11th and the point particularly played up, as Mr. Tweed and I understood it, was an exchange through to New York between Panagra, Pan American and Eastern. It later developed that you had never discussed such an exchange with Eastern and upon my suggestion, at our meeting on July 19th, that we do so now, you said that this was impossible for reasons which you mentioned. Your proposal, therefore, fell of its own weight and left nothing to be considered except the plan of exchange between Panagra and Panair previously discussed,—a very different idea.

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PAA-6504

6/13/55

[fol. 561]

I see no reason for apology for the ambitions of W. R. Grace & Co. to promote Panagra's welfare and the public

interest by the best possible service between Panagra's line and the United States. If it be your interest in Panagra that concerns you, obviously the best way to avoid jeopardizing that would be for you to permit Panagra to extend its route to the United States by joining with the position taken by W. R. Grace & Co. in the still pending Docket 779. Certainly a through route is far better than any exchange agreement.

I have discussed this whole matter with Mr. Tweed, counsel for Panagra in Docket 525, and we do not see that Panagra's interests would be served by further discussion of this subject at this time.

Yours very truly,

/s/ H. J. Roig

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PAA-6505

[fol. 562]

GOVERNMENT'S EXHIBIT 242

July 27, 1944

Mr. Harold J. Roig, President
Pan American-Grace Airways
7 Hanover Square
New York 5, New York

Dear Harold:

I received this morning, July 27, your letter bearing date of July 25, 1944, in reply to mine of July 20.

Your characterization of what took place at Mr. Tweed's apartment is not accurate. Henry Friendly and I made it quite clear that although we did not believe a discussion of interchange with Eastern and National at this time would be profitable, we favored going ahead immediately with an interchange agreement between Pan American Airways and Pan American-Grace. That was the proposition which we left with you and on which you undertook to advise us.

Our position in this matter of interchange is perfectly simple and clear. We believe that an interchange of equipment between Pan American Airways and Pan American-Grace at the Canal Zone would enable Pan American-Grace better to discharge its function as a connecting carrier as to through traffic between the United States and South America. We understood at the meeting at Mr. Tweed's apartment that you felt so, too. If we are right, we want the interchange and want it now. If there are any reasons why we are wrong, we want to know from you definitely and specifically what these are.

We cannot accept your view that this matter, which vitally affects Pan American-Grace Airways, is one to be decided by you and Mr. Tweed. Will you please therefore consider this letter as a formal request for the calling of a special meeting of the Board of Directors of Pan American-Grace to consider and take action upon a proposal for interchange of equipment with Pan American Airways at the Canal Zone.

PAA-6507

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6/13/55

JPC

[fol. 563] We request that this meeting be set for as early an hour as possible on Monday, July 31, or, if you would prefer, we would be glad to waive the formality of two days notice and have the meeting at any hour tomorrow, Friday, July 28, that would be convenient to you and your associates.

We also request that you come to this meeting prepared with full details as to the nature of the presentation to be made on behalf of Pan American-Grace Airways in Docket 525, so that I and my associates may have an opportunity to know what our company is proposing and to express our views about it.

In order to comply with legal formalities, I am having this letter signed also by Mr. Balluder.

Very truly yours,

Original Signed By
Howard B. Dean

.....
Howard B. Dean

EB

.....
Erwin Balluder

Directors of
Pan American-Grace
Airways, Inc.

HJF:ELG

bcc: President
Vice President Dean
Secretary & Gen. Attorney
The Executive Assistant
H. J. Friendly

813

PAA-6508